BBC REALTY INVESTORS
635 Two Bentall Centre
555 Burrard Street, Vancouver, B.C. V7X 1K1
(604) 668-4442

October 29, 1984.

The Unitholders of BBC Realty Investors:

Enclosed with this letter is a Notice calling a Special Meeting of Unitholders of BBC Realty Investors (the "Trust") for November 22, 1984 at 10:30 A.M. in the Columbia Room of the Hotel Vancouver, 900 W. Georgia St., Vancouver, B.C. The purpose of the meeting is to consider a Merger Agreement proposed by Bank of British Columbia and amendments to the Declaration of Trust pursuant to which the Trust was established which, if approved, would result in the present Unitholders receiving, in return for their Trust Units, Common Shares of Bank of British Columbia on the basis of one Common Share for each Trust Unit. A detailed description of the Bank of British Columbia and the Common Shares is contained in the Bank's prospectus dated October 29, 1984 attached as Schedule A to the Information Circular that accompanies this letter. **UNITHOLDERS ARE ADVISED THAT THE MARKET VALUE OF THE COMMON SHARES OF BANK OF BRITISH COLUMBIA IS SUBJECT TO CHANGE.**

The Trust was established in 1972 as a real estate investment trust at a time when financial and real estate markets permitted an attractive yield to unitholders of such trusts. As a result of recessionary conditions seriously affecting real estate values in British Columbia and Alberta during the past few years, the Trust has been unable to maintain a favourable yield to Unitholders and the market value of Trust Units has declined substantially. These conditions have persisted during 1984.

The Trustees have reviewed the business affairs of the Trust, including its investment portfolio and financing capacity, and the Trust's prospects for income. The Trustees have concluded that an improvement in net income of the Trust and in the market value of Trust Units will be dependent on the timing of economic recovery in British Columbia and Alberta and cannot presently be anticipated. As adviser to the Trust pursuant to the Advisory Agreement, the Bank has advised the Trustees that it is unlikely that there will be any material improvement in economic conditions relating to the profitability of the Trust through 1985.

The Trustees have received the opinion of Dominion Securities Pitfield Limited attached as Schedule B to the Information Circular as to the fairness to the Unitholders of the merger proposed by the Bank from a financial point of view. Based upon the Trustees review of the business affairs of the Trust and the opinion of Dominion Securities Pitfield Limited, the Trustees have recommended that the Unitholders approve the Merger Agreement and the amendments to the Declaration of Trust.

Under the terms of the Declaration of Trust, material amendments to the Declaration of Trust must be determined by the Trustees and must be approved by at least two thirds of the votes cast at a meeting of the Unitholders duly called for that purpose. If the necessary amendments to the Declaration of Trust are approved at the Unitholders' meeting on November 22, 1984, it is the intention of the Trustees to cause the Trust to redeem the present Trust Units on that day for Common Shares of Bank of British Columbia and shortly thereafter to distribute to Unitholders of record on November 21, 1984 the Trust's unconsolidated undistributed income at September 30, 1984 of approximately 10¢ per Trust Unit.

A full description of the above proposal is contained in the Information Circular that accompanies this letter. UNITHOLDERS WHO ARE UNABLE TO ATTEND THE SPECIAL MEETING IN PERSON ARE ENCOURAGED TO COMPLETE THE ENCLOSED FORM OF PROXY AND MAIL IT AS SOON AS POSSIBLE IN THE ENVELOPE PROVIDED. A Letter of Transmittal is also enclosed which may be used to obtain Common Shares following approval of the proposal by Unitholders.

Yours very truly,

Robert J. Mair,
Secretary and Trustee
On Behalf of the
Trustees of BBC Realty Investors

BBC Realty Investors is a Trust created under the laws of the Province of British Columbia by a Declaration of Trust dated as of November 7, 1972.

The obligations hereunder are not personally binding upon, nor shall resort hereunder be had to, the private property of any of the Trustees, Unitholders, officers, employees or agents of the Trust, and resort shall only be had to the property of the Trust.

BBC REALTY INVESTORS

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

NOVEMBER 22, 1984

NOTICE IS HEREBY GIVEN that a Special Meeting of Unitholders of BBC Realty Investors (the "Trust") will be held in the Columbia Room of the Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, on Thursday, the 22nd day of November, 1984 at the hour of 10:30 o'clock in the forenoon (Vancouver time) for the following purposes:

1. To consider and, if thought fit, to approve the agreement dated October 29, 1984 made between Bank of British Columbia and the Trustees on behalf of the Trust pursuant to which Trust Units (other than those held by Bank of British Columbia) are to be redeemed for Common Shares of Bank of British Columbia and to approve such amendments to the Declaration of Trust dated as of November 7, 1972, pursuant to which the Trust was established, as are necessary to authorize such redemption, all as more particularly described in the Information Circular accompanying this Notice.

   Copies of the agreement and the proposed amendments to the Declaration of Trust are available for inspection by Unitholders at the principal office of The National Victoria and Grey Trust Company in each of the cities of Vancouver, Calgary, Winnipeg, Toronto and Montreal.

2. To transact such other business as may properly come before the meeting or any adjournments thereof.

DATED at Vancouver, British Columbia,
this 29th day of October, 1984.

By Order of the Trustees

R.J. MAIR
Secretary.

Unitholders who are unable to attend the Special Meeting in person are encouraged to complete the enclosed form of proxy and mail it as soon as possible in the envelope provided.

Proxies must be deposited with The National Victoria and Grey Trust Company, Ste. 900 - 666 Burrard Street, Vancouver, B.C., V6C 2Z9, at least twenty-four hours before the time of the meeting or with the Chairman of the meeting prior to the commencement thereof.

This is a summary only and is qualified in its entirety by the information set out in or referred to in the accompanying information circular.

SUMMARY

Business of Meeting

The Special Meeting of the Unitholders of the Trust has been called by the Trustees for the purpose of considering a proposal made by Bank of British Columbia (the "Bank") that would result in the present Unitholders other than the Bank receiving Common Shares of the Bank in return for their Trust Units on a one for one basis. Reference is made to the Bank's preliminary prospectus attached as Schedule A to this Information Circular for a detailed description of the Bank and the Common Shares.

Reasons for the Merger

As a result of recessionary conditions seriously affecting real estate values in British Columbia and Alberta during the past few years the Trust has been unable to maintain a favourable yield to its Unitholders and the market value of Trust Units has declined substantially. The Bank, as adviser to the Trust pursuant to the Advisory Agreement, has advised the Trustees that it is unlikely that there will be any material improvement in economic conditions affecting the profitability of the Trust through 1985 and has approached the Trustees with a plan of merger whereby all Unitholders other than the Bank will become holders of Common Shares and the Bank will become the sole Unitholder of the Trust.

Merger Agreement and Proposed Amendments

The Meeting will be asked to consider and, if thought fit, to approve the Merger Agreement entered into between the Bank and the Trustees on behalf of the Trust as well as certain amendments to the Declaration of Trust pursuant to which the Trust was established. The Merger Agreement provides for the redemption of all Trust Units other than those held by the Bank on the basis of one Common Share for each Trust Unit redeemed. The proposed redemption is subject to several conditions, including certain amendments being made to the Declaration of Trust to authorize redemption of Trust Units for Common Shares and the approval by shareholders of the Bank and the Minister of Finance of changes in the Bank's authorized capital which are necessary to effect this and certain other transactions being entered into by the Bank. The Merger Agreement and the proposed amendments to the Declaration of Trust must be approved by the affirmative vote of two-thirds of the votes cast at the Meeting. The Bank has agreed that the Trust Units held by it will not be voted at the Meeting on the resolutions to approve the Merger Agreement and proposed amendments.

Fairness Opinion and Trustees' Recommendation

The Trustees have received an opinion of Dominion Securities Pitfield Limited as to the fairness to the Unitholders of the merger proposed by the Bank from a financial point of view. Based upon the Trustees' review of the business affairs of the Trust and the opinion of Dominion Securities Pitfield Limited the Trustees have recommended that the Unitholders approve the Merger Agreement and the amendments to the Declaration of Trust.

Income Tax Considerations

Unitholders should note that the above proposal will result in a disposition of Trust Units by each Unitholder for Canadian Income Tax purposes, the consequences of which may vary for each Unitholder based on such Unitholder's particular tax position. See "Canadian Income Tax Considerations" on page 5.

Selected Financial Information

	9 months ended September 30		Year ended December 31				
	1984	1983	1983	1982	1981	1980	1979(1)
	(unaudited)						
Total assets	$118,995,137	$130,994,634	$132,677,829	$148,048,287	$169,538,990	$166,570,052	$141,394,651
Gross income	$ 10,616,503	$ 13,249,170	$ 17,128,141	$ 24,257,046	$ 28,481,105	$ 22,679,671	$ 18,969,854
Net income	$ 1,021,671	$ 2,503,420	$ 2,655,688	$ 3,580,657	$ 5,690,701	$ 5,048,436	$ 4,859,512
Income distribution per trust unit	$0.29	$0.83	$1.00	$1.36	$2.13	$1.92	$1.85
Trust units outstanding	2,623,927	2,623,927	2,623,927	2,623,927	2,623,927	2,623,927	2,623,927
Number of unitholders	3,183	3,783	3,635	4,378	4,938	5,360	5,559

(1) Unconsolidated as subsidiaries were immaterial during 1979. Figures for all other periods include the accounts of the Trust and its wholly-owned subsidiary companies, REIT Properties Ltd. (a real estate investment company activated in 1981) and KQX Realty Holdings Ltd.

BBC REALTY INVESTORS

INFORMATION CIRCULAR

DATED as of October 29, 1984

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation by the Trustees of BBC Realty Investors (the "Trust") of proxies for use at the special meeting of Unitholders (the "Meeting") to be held on November 22, 1984, at the time and place set forth in the notice of meeting distributed with this Information Circular. The Meeting is being called to consider and, if thought fit, to approve the agreement (the "Merger Agreement") dated October 29, 1984 made between Bank of British Columbia and the Trustees on behalf of the Trust pursuant to which certain of the Trust Units are to be redeemed and to approve such amendments to the Declaration of Trust (the "Declaration of Trust") dated as of November 7, 1972, as amended on March 5, 1974 and March 21, 1979 and pursuant to which the Trust was established, as are necessary to authorize such redemption. The Merger Agreement and amendments have been proposed by Bank of British Columbia (the "Bank") which acts as adviser to the Trust pursuant to an agreement (the "Advisory Agreement") dated December 4, 1972, as amended. The solicitation will be made primarily by mail and possibly supplemented by telephone or other personal contact. Dominion Securities Pitfield Limited has agreed to assist the Trustees in the solicitation of proxies from Unitholders. All costs of solicitation will be borne by the Bank.

APPOINTMENT AND REVOCATION OF PROXIES

Unitholders have the right to appoint a person, who need not be a Unitholder, to represent them at the meeting other than the persons designated in the enclosed instrument of proxy who are Trustees of the Trust. A Unitholder may exercise this right by striking out the names of the persons named in the instrument of proxy and inserting the name of the desired person in the blank space provided.

Proxies must be deposited at the offices of The National Victoria and Grey Trust Company, Ste. 900 - 666 Burrard Street, Vancouver, B.C., V6C 2Z9, at least twenty-four hours before the time of the Meeting or with the Chairman of the Meeting prior to the commencement thereof. A proxy may be revoked at any time before it is exercised.

VOTING OF PROXIES

The persons named in the enclosed instrument of proxy will vote the Trust Units in respect of which they are appointed in accordance with the direction of Unitholders appointing them if a direction is given. **In the absence of such direction, such Trust Units will be voted in favour of all matters referred to in the notice of meeting and the accompanying form of proxy confers the discretionary authority so to do.** The accompanying form of proxy also confers discretionary authority upon the persons named therein with respect to other matters which may properly come before the Meeting. At the time of printing this Information Circular the Trustees of the Trust know of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the notice of meeting.

VOTING UNITS AND PRINCIPAL HOLDERS

The Trust has outstanding 2,623,927 Trust Units without par value. Each Trust Unit entitles the registered holder thereof at the time of the Meeting to one vote on all matters before the Meeting.

To the knowledge of the Trustees and the officers of the Trust, no person or company beneficially owns, directly or indirectly, Trust Units carrying more than 10% of the voting rights attached to all Trust Units of the Trust entitled to be voted at the Meeting. The Bank is the beneficial owner of 178,214 Trust Units. **The Bank has agreed not to vote its Trust Units on the resolutions to approve the Merger Agreement and the proposed amendments to the Declaration of Trust.**

BUSINESS OF THE MEETING

The purpose of the Meeting is to consider and, if thought fit, to approve the Merger Agreement and

certain amendments to the Declaration of Trust in order to permit Trust Units to be redeemed for common shares ("Common Shares") in the capital of the Bank. The Merger Agreement provides that, subject to certain conditions being met including the approval of such agreement and of the proposed amendments to the Declaration of Trust by the Unitholders at the Meeting, each Trust Unit other than Trust Units owned by the Bank will be redeemed for one Common Share. Reference is made to the Bank's preliminary prospectus dated October 29, 1984 (the "Prospectus") attached as Schedule A to this Information Circular for a detailed description of the Bank and the Common Shares. A final version of the Prospectus will be mailed to Unitholders prior to the Meeting.

REASON FOR THE MERGER

The Trust was established in 1972 as a real estate investment trust at a time when financial and real estate markets permitted an attractive yield to unitholders of such trusts. As a result of recessionary conditions seriously affecting real estate values in British Columbia and Alberta during the past few years the Trust has been unable to maintain a favourable yield to its Unitholders and the market value of Trust Units has declined substantially. See "Price Range of Trust Units" on page 7 and "Distributions to Unitholders" on page 9. These conditions have persisted during 1984. The unaudited consolidated financial statements of the Trust for the nine months ended September 30, 1984 appear as part of the Consolidated Financial Statements of the Trust on pages 14 to 19 of this Information Circular.

Since the beginning of 1983 the mortgage investments of the Trust have declined by approximately 27.5% as a result of the lack of demand for real estate development funds. Consequently, income arising from new mortgage investments has also declined. At the same time, the income of the Trust on its existing mortgage investments has been adversely affected by the continuing level of arrears and by the low level of revenues from income producing properties acquired in satisfaction of mortgage investments. See "Investment Portfolio of the Trust" on page 8. Net income per Trust Unit for the nine months ending September 30, 1984 was 38.9¢ and has been declining by quarters as follows:

1984		
First quarter	Second quarter	Third quarter
21.4¢	13.3¢	4.2¢

The Trustees anticipate that the Trust will experience a further deterioration in net income for the fourth quarter of 1984.

The Trustees have reviewed the business affairs of the Trust, including its investment portfolio and financing capacity, and the Trust's prospects for income. The Trustees have concluded that an improvement in net income of the Trust and in the market value of Trust Units will be dependent on the timing of economic recovery in British Columbia and Alberta and cannot presently be anticipated. As adviser to the Trust pursuant to the Advisory Agreement, the Bank has advised the Trustees that it is unlikely that there will be any material improvement in the economic conditions affecting the profitability of the Trust through 1985.

The Bank has proposed a plan of merger to the Trustees which will result in the redemption of the Trust Units of Unitholders other than the Bank for Common Shares of the Bank on the basis of one Common Share for each Trust Unit. Under the plan of merger as outlined herein all Unitholders other than the Bank would become the holders of Common Shares and the Bank would become the sole Unitholder of the Trust.

The Trustees have received the opinion of Dominion Securities Pitfield Limited as to the fairness to the Unitholders of the merger proposed by the Bank from a financial point of view. **Based upon the Trustees' review of the business affairs of the Trust and the opinion of Dominion Securities Pitfield Limited the Trustees have recommended that the Unitholders approve the Merger Agreement and the amendments to the Declaration of Trust.** Trustees who are directors of the Bank did not participate in this decision.

MERGER AGREEMENT

At the Meeting the Unitholders will be asked to approve the Merger Agreement providing for the redemption of the Trust Units held by all Unitholders other than the Bank for Common Shares as follows:

1. The Trustees will take appropriate steps to cause the Declaration of Trust to be amended as described below so as to reclassify the Trust Units held by all Unitholders other than the Bank as Class A Trust

Units and to alter the rights attached to the Class A Trust Units to include a right of redemption by the Trust for Common Shares of the Bank. The Trust Units held by the Bank will be reclassified as Class B Trust Units.

2. The Bank will subscribe for, and the Trust will issue, an additional 2,445,713 Class B Trust Units at an issue price of $6.00 per unit, for an aggregate consideration of $14,674,278.

3. Immediately upon receipt of the proceeds of the sale of additional Class B Trust Units to the Bank, the Trustees will cause to be subscribed for, and the Bank will issue, 2,445,713 Common Shares at an issue price of $6.00 per share, for an aggregate consideration of $14,674,278.

4. Upon issuance of the Common Shares, Class A Trust Units will be redeemed and the holders thereof will be entitled to receive one Common Share for each Class A Trust Unit.

The price at which the Trustees will subscribe for the Bank's Common Shares has been set at the same price of $6.00 per share as the Bank has agreed to issue between 8,000,000 and 12,000,000 Common Shares pursuant to the Bank Offering described in the Prospectus.

The Merger Agreement provides that completion of the transactions contemplated thereby is subject to various conditions being met including the approval of the Merger Agreement and proposed amendments to the Declaration of Trust by the Unitholders and the approval by the shareholders of the Bank and the Minister of Finance of the removal of the present limitations on the number of Common Shares which the Bank may issue. The Bank has agreed to have the Common Shares to be issued pursuant to the Merger Agreement qualified for resale by the Unitholders. The Bank has also agreed to pay all costs, fees and expenses incurred by the Trustees on behalf of the Trust in connection with the Meeting and the transactions contemplated in the Merger Agreement.

In view of the provisions of The Securities Act of 1933 of the United States of America, a holder of Class A Trust Units whose registered address on the books of the Trust is in the United States of America or its territories or possessions will not be entitled to receive Common Shares upon the redemption of his Class A Trust Units; instead the Trustees will forthwith after the redemption of such Class A Trust Units sell the Common Shares to which such Unitholder would otherwise be entitled and distribute the proceeds therefrom to the Unitholder. The Bank has agreed to pay all costs of the sale of these Common Shares.

Copies of the Merger Agreement are available for inspection by the Unitholders at the principal office of The National Victoria and Grey Trust Company in each of the cities of Vancouver, Calgary, Winnipeg, Toronto, and Montreal.

PROPOSED AMENDMENTS

At the Meeting the Unitholders will be asked to approve the following amendments to the Declaration of Trust necessary to allow for the redemption of the Trust Units as described above:

1. the reclassification of the Trust Units held by all Unitholders other than the Bank as Class A Trust Units;

2. the creation of a second class of Trust Units designated as Class B Trust Units and the reclassification of the Trust Units held by the Bank as Class B Trust Units;

3. the alteration of the rights attached to the Class A Trust Units to include a right of redemption at the option of the Trust; and

4. such other consequential amendments as may be necessary in connection with the foregoing.

The full text of the proposed amendments is available for inspection by the Unitholders at the principal office of The National Victoria and Grey Trust Company in each of the cities of Vancouver, Calgary, Winnipeg, Toronto, and Montreal.

UNITHOLDERS' APPROVAL

Under the terms of the Declaration of Trust, certain material amendments to the Declaration of Trust, including any amendment to the rights of the Unitholders, must be determined by the Trustees and approved by at least two-thirds of the votes cast at a meeting of the Unitholders duly called and held for that purpose. At a meeting held on October 29, 1984 the Trustees determined to make the amendments described above and, accordingly, those amendments will be submitted to the Unitholders at the Meeting.

The Trustees also approved the Merger Agreement at such meeting and, as provided in the Merger Agreement, will submit such agreement to the Meeting for approval by at least two-thirds of the votes cast at the Meeting. The Bank has agreed that in view of the Bank's interest in the proposed transactions, the Trust Units held by the Bank shall not be voted on the resolutions to approve the amendments and the Merger Agreement.

MATERIAL EVENTS

On October 29, 1984 the Bank announced certain material events, including the entering into of the Merger Agreement and various other agreements, which are expected to have a material effect on the Bank's financial condition and its future operations. Details of such material events and their anticipated effect on the financial condition and future operations of the Bank are set out in the Prospectus under the headings "Material Events", "Dilution" and "Condensed Pro Forma Consolidated Statement of Assets and Liabilities".

FAIRNESS OPINION

Dominion Securities Pitfield Limited has provided an opinion as to the fairness and reasonableness, from a financial point of view, of the redemption of the Class A Trust Units for Common Shares on a one for one basis and the estimated market value of the Common Shares immediately following the proposed redemption of Class A Trust Units for Common Shares. A copy of the letter of opinion of Dominion Securities Pitfield Limited is attached as Schedule B hereto. Dominion Securities Pitfield Limited has previously acted as a fiscal agent and underwriter to the Trust and to the Bank. Pursuant to the terms of the Merger Agreement, the Bank has agreed to pay a fee to Dominion Securities Pitfield Limited for providing this opinion and to indemnify it from liability which it may incur in providing its services and opinion to the Trustees.

CANADIAN INCOME TAX CONSIDERATIONS

Lawson, Lundell, Lawson & McIntosh, counsel to the Trust, is of the opinion that the following is a fair and adequate summary of the principal income tax considerations under the laws of Canada as of the date of this Information Circular. The comments in this summary are restricted to the case of a Unitholder who is resident in Canada for the purposes of the Income Tax Act (Canada) (the "Act") and who holds Trust Units as capital property, and do not take into account tax laws of a Province or territory or of any jurisdiction outside Canada.

As this summary is not exhaustive, and tax liability will depend on the circumstances of a particular Unitholder, each Unitholder should obtain specific tax advice from his own legal or accounting advisers.

Disposition of Trust Units

The making of the proposed amendments to the Declaration of Trust should not effect a disposition of existing Trust Units and an acquisition of new units by Unitholders. However, if the making of such amendments are considered by Revenue Canada to effect such a disposition, the tax consequences for Unitholders who subsequently receive Common Shares on redemption of their Class A Trust Units would not be materially different from those described below.

Upon the redemption of the Class A Trust Units, a Unitholder will be considered to have disposed of such units for proceeds of disposition equal to the then fair market value of the Common Shares received. The amount by which such proceeds exceed or are less than the adjusted cost base of the Class A Trust Units to the Unitholder at the time of redemption will be a capital gain or a capital loss of the Unitholder. One-half of any gain is included in the income of the Unitholder but may qualify for the $1,000 Canadian interest, dividend and capital gains deduction available to individuals, and one-half of any loss may be deducted from the taxable half of other capital gains or, to a limited extent, from ordinary income of individual Unitholders. Common Shares received by a Unitholder on redemption of Class A Trust Units will have a cost to the Unitholder equal to the fair market value of the Common Shares at that time.

Dividends on Common Shares

Dividends on the Common Shares will be subject to the normal gross-up and credit rules when received by an individual, and will be deductible in computing the taxable income of a corporation. Private

corporations (as defined in the Act) and certain other corporations, may be liable to the 25% refundable tax imposed by Part IV of the Act. Dividends on the Common Shares will qualify for the $1,000 Canadian interest, dividend and capital gains deduction available to individuals.

ELIGIBILITY FOR INVESTMENT

Reference is made to "Eligibility for Investment" in the Prospectus for a summary of the eligibility of the Common Shares for investment under various statutes, including eligibility for investment by trusts governed by a registered retirement savings plan, a deferred profit sharing plan, a registered retirement income fund or a registered home ownership savings plan under the Income Tax Act (Canada).

BBC REALTY INVESTORS

BBC Realty Investors is an unincorporated trust established under the laws of the Province of British Columbia by the Declaration of Trust. The principal and head office of the Trust is located at 635 - 555 Burrard Street, Vancouver, British Columbia, V7X 1K1. The beneficial interest under the Declaration of Trust is divided into transferable units (the "Trust Units").

The Trust was formed for the purpose of providing investors with an opportunity to participate in the income and gains from a diversified portfolio of real estate investments, including mortgages and equity investments in income producing properties. The majority of the Trust's assets have been invested in first mortgage loans although it has also invested in junior mortgage and real estate equity investments. Investments have been concentrated in Western Canada.

The responsibility for the operations of the Trust and the conduct of its affairs, including acquisition and disposition of trust assets, is vested in the Trustees. The Trustees have designated an investment committee from among their number with authority to decide on all investments not exceeding 5% of the equity capital of the Trust and have entered into the Advisory Agreement under which the Bank performs the day-to-day administration of the Trust. As required by the Declaration of Trust, a majority of Trustees and a majority of the members of the investment committee are independent of the Bank and its affiliates. Of the present nine Trustees, six are not directors, officers or employees of the Bank. The Declaration of Trust also requires that at least 50% of the Trustees voting on any investment decision made by the Trustees or by the investment committee must be independent of the Bank and its affiliates.

The Declaration of Trust may be amended (except as to the limitations of personal liability of the Unitholders and Trustees, the prohibition of assessments upon Unitholders and the vesting exclusively in the Trustees of the right to conduct the affairs of the Trust) or the Trust may be terminated by a resolution of the Trustees approved by the affirmative vote of the holders of at least two-thirds of the Trust Units represented and voted. In addition, the Declaration of Trust may be amended without a vote of the Unitholders if such amendment is made to add provisions for the purpose of protecting the Unitholders, to remove any conflict or inconsistency between the Declaration of Trust and any applicable law or regulation or to correct typographical or clerical errors. Upon termination of the Trust each Unitholder is entitled to receive in cash his pro rata portion of the net proceeds of the disposition of the assets of the Trust, after payment of all liabilities and expenses.

BBC-RI SERVICES LTD.

BBC-RI Services Ltd. (the "Company") was incorporated to provide a corporate entity through which to arrange financing for the Trust. The outstanding shares of the Company are owned as to 50% by the Bank and as to 50% by the Trustees on behalf of the Trust. The Company and the Trustees on behalf of the Trust have entered into an agreement (the "Financing Agreement") whereby the Company borrows money from time to time at the request of the Trustees upon such terms as the Trustees may designate at the time of any such request and lends the net proceeds of such borrowings to the Trust on substantially the same terms. Under the terms of the Financing Agreement in the event of the termination of the Advisory Agreement either the Bank or the Trustees may require all of the shares of the Company owned by the Bank to be sold to the Trust at a price equal to the book value thereof.

The Company has paid a dividend of $1.00 per share in each of its last five financial years.

CAPITALIZATION

	Authorized	Outstanding as at December 31, 1983	Outstanding as at September 30, 1984
BBC REALTY INVESTORS[1]			
Operating lines of credit[2]	—	$ —	$ —
Short term indebtedness due to BBC-RI Services Ltd.[4]	—	$43,304,856	$41,956,142
Medium term indebtedness due to BBC-RI Services Ltd.[5]	—	$41,451,000	$26,523,600
Other[6]	—	$16,000,000	$18,000,000
Trust Units	Unlimited	$29,109,144 (2,623,927 units)	$29,109,144 (2,623,927 units)
BBC-RI SERVICES LTD.[3]			
Short term notes[4]	—	$43,304,856	$41,956,142
Medium term notes[5]	—	$41,451,000	$26,523,600
Common shares of no par value	10,000	$10 (10 shs.)	$10 (10 shs.)

(1) As against the assets of the Trust, all existing indebtedness of or guaranteed by the Trustees on behalf of the Trust ranks pari passu.
(2) Of the operating bank line of credit of $7,500,000, none had been utilized as at September 30, 1984.
(3) All existing borrowings of the Company, the net proceeds of which are loaned to the Trust under the Financing Agreement, are guaranteed by the Trustees on behalf of the Trust and rank pari passu.
(4) The Company borrows funds from time to time at the request of the Trustees by the sale of short term notes and lends the net proceeds of such borrowings to the Trust under the terms of the Financing Agreement. As at December 31, 1983 and September 30, 1984, the Trustees and the Company had arranged standby lines of credit of $33,500,000 with Canadian chartered banks to provide coverage for short term borrowing.
(5) The Company borrows funds from time to time at the request of the Trustees by the sale of medium term notes and lends the net proceeds of such borrowings to the Trust under the terms of the Financing Agreement.
(6) Other medium term indebtedness represents direct borrowings of the Trust.
(7) The Company had retained earnings of $186,356 as at December 31, 1983 and $196,022 as at September 30, 1984. The Trust had retained earnings of $119,374 as at December 31, 1983 and $128,339 as at September 30, 1984 and undistributed income of $251,767 as at September 30, 1984.

PRICE RANGE OF TRUST UNITS

The Trust Units are listed on the Montreal, Toronto and Vancouver stock exchanges. The following table sets forth the high and low closing sale prices on The Toronto Stock Exchange of the Trust Units for the periods indicated:

Period		High	Low	Volume
1982	Fourth Quarter	$10	$ 8½	78,985
1983	First Quarter	11	9¼	73,575
	Second Quarter	11⅞	10¼	71,970
	Third Quarter	11½	10¼	94,807
	Fourth Quarter	10½	8⅜	119,710
1984	First Quarter	9⅜	7¼	95,967
	Second Quarter	7⅞	5¼	97,220
	July	6	4¼	19,973
	August	5½	4½	37,830
	September	5⅝	5⅛	18,700
	October 1 to October 26	5¾	4	75,947

The reported closing sale price for the Trust Units on The Toronto Stock Exchange on October 26, 1984 was $4.50.

INVESTMENT PORTFOLIO OF THE TRUST

The investment policy of the Trustees has been to develop a portfolio with a mixture of various types of mortgage and real estate investments. The distribution of the portfolio among various types of investments has reflected changes in the real estate investment industry and economic climate as they occur. The following tables show the investment portfolio of the Trust at cost as at September 30, 1984.

Mortgage Portfolio Composition:	Number	Principal Amount	Total	Weighted Average Yield	Percent of Investment Portfolio
First mortgages on completed real estate					
Residential	19	$ 9,531,025			
Commercial and industrial	67	33,523,036	$ 43,054,061	14.61%	39.17%
First mortgages on construction, land and development projects					
Construction	2	$ 540,464			
Land and development	17	10,964,794	11,505,258	14.88%	10.47%
Junior mortgages on completed real estate(2)					
Residential	3	$ 947,810			
Commercial and industrial	10	8,045,085	8,992,895	15.26%	8.18%
	118		$ 63,552,215	14.75%	57.82%
Mortgages which are three months or more in arrears on which full or partial payments have been received within the last 90 days					
First mortgages —					
Residential	4	$ 4,097,522			
Commercial and industrial	9	25,417,404			
Land	1	757,154	30,272,080	7.73%(1)	27.55%
	132		$ 93,824,295	12.49%	85.38%
Mortgages which are three months or more in arrears on which no payments have been received within the last 90 days					
First mortgages —					
Residential and commercial	2	$ 3,075,614			
Land	4	4,167,370			
Junior mortgages(2) —					
Residential and commercial	2	557,792	7,800,776	0%	7.10%
Total mortgage portfolio	140		$101,625,071	11.53%	92.48%
Property Held for Re-sale(3)					
Commercial and industrial	2	$ 8,270,784	8,270,784	0%	7.53%
Total Investment Portfolio	142		$109,895,856	10.66%	100.00%

(1) Based on actual cash received during the 90 days prior to September 30, 1984 converted to an annualized rate.
(2) Junior mortgages are mortgages which rank subordinate to other mortgages.
(3) Properties acquired in satisfaction of mortgage investments.

Income Producing Properties:	Net Book Value	No. of Sq. Ft.	Percent Leased	Estimated Net Yield
Apartment building	$ 496,432	31 Units	100%	7.25%
Office building	3,735,022	35,224	100%	11.50%
Commercial buildings	6,455,165	204,688	41%	2.62%
Total Property Portfolio	$10,686,619			5.94%

Of the mortgage investments shown in the table above, 78.9% are written at a floating interest rate which is tied to the prime lending rate of the Bank which is subject to change from time to time. As at September 30, 1984 the Bank's prime lending rate was 13%. The weighted average yields shown above do not reflect additional revenue earned through fee, bonus, participation or other income.

The following table sets out the maturity of the Trust's investments and debts as at September 30, 1984.

	Investments (1)	Debts
On demand	$ 42,620,322	$ —
1984	10,823,047	45,668,142
1985	29,681,463	23,052,600
1986	15,998,512	11,271,000
1987	750,000	1,000,000
1988 and subsequent	1,751,727	5,488,000
	$101,625,071	$86,479,742

As at September 30, 1984 the Trust had mortgage commitments outstanding aggregating $3,578,000. The Trustees plan to meet such commitments with funds supplied by the issue of medium and short term notes, utilization of operating bank lines of credit and proceeds received from maturing investments.

Arrears and Loss Provisions

The Trust makes specific provision for any losses anticipated on its investment portfolio by evaluating individual loans and property acquired in satisfaction of mortgage investments. The Trust may also make a general provision for possible loan losses. The provisions are determined on an ongoing operations basis. The allowance for losses was $3,134,609 at December 31, 1983 and $3,359,609 at September 30, 1984. During the preceding five financial years the Trust has realized the following loan losses: 1984 — nil; 1983 — $71,991 (0.18% of loans liquidated and 0.06% of average loans outstanding); 1982 — $324,709 (0.69% of loans liquidated and 0.21% of average loans outstanding); 1981 and prior — nil.

The Trust accounts for interest income on the accrual basis except that no accrual is recognized where interest is in arrears in excess of three months or, in some situations, at an earlier stage if payment appears doubtful. Any arrears of interest which are subsequently paid are included in income on a cash basis. The cumulative amount of interest in arrears which has not been taken into income was $3,969,216 at December 31, 1983 ($2,840,379 at December 31, 1982) and $5,575,665 at September 30, 1984 ($3,119,509 at September 30, 1983). This increase results from continued interest arrears on certain non-performing loans as at December 31, 1983 and on loans which became non-performing since that date and is not a result of any special circumstance or event. Current economic conditions in both Alberta and British Columbia continue to impact adversely on the earnings (including interest arrears recoveries) and operations of the Trust. Earnings for the third quarter of 1984 were $0.04 per Trust Unit and the Trustees anticipate that the Trust will experience a further deterioration in net income for the fourth quarter of 1984.

DISTRIBUTIONS TO UNITHOLDERS

Since the inception of the Trust, distributions have been declared in the last month of each quarter and paid in the first month of the following quarter. During the periods indicated, the following distributions have been declared by the Trust:

	9 months ended September 30		Year ended December 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Amount per Trust Unit	$0.29	$0.83	$1.00	$1.36	$2.13	$1.92	$1.85

ADVISORY AGREEMENT

Pursuant to the Advisory Agreement the Bank, among other things, seeks out, investigates, evaluates and recommends investment opportunities for the Trust, serves as investment adviser and financial consultant in connection with investment policy decisions made by the Trustees and subject to the supervision of the Trustees, attends to the administration of the day-to-day affairs of the Trust. The Bank also arranges a substantial portion of the financing for the Trust although it is not obligated to do so under the Advisory Agreement.

Term

The term of the Advisory Agreement has been renewed to August 31, 1985 and may not be terminated by the Bank prior to such date. The Bank is required to give the Trustees 6 months written notice if it intends not to renew the Agreement. With the approval of the Unitholders the Advisory Agreement may be terminated at any time by the Trustees upon 60 days written notice. If for any reason the Advisory Agreement is terminated or not renewed, no penalty or other termination fee is exigible from the Trust and the Trustees must change the name of the Trust to one which does not include the letters "BBC" or any approximation thereof and cease using any trademark or symbol used by the Adviser. The Advisory Agreement is not assignable by one party without the consent of the other party.

Fees and Expenses

The Bank is required to bear all expenses of the operation and affairs of the Trust other than (i) interest and other costs of money borrowed by the Trust, (ii) taxes on income and taxes and assessments on real property and all other taxes applicable to the Trust, (iii) extraordinary expenses, (iv) losses and reasonable provisions therefor, (v) provisions for depreciation, (vi) expenses in connection with issuance, distribution, transfer, registration and stock exchange listing of securities issued by or for the benefit of the Trust, (vii) expenses in connection with Unitholder relations, (viii) expenses in connection with acquisition, operation, maintenance, protection and disposition of real property of the Trust (excluding mortgages and mortgage loans) and (ix) the advisory fee, all of which expenses are to be borne by the Trust. As compensation for the services rendered to the Trust an advisory fee is payable to the Bank by the Trust at the monthly rate of ⅛ of 1% of the "invested assets" of the Trust. However, the aggregate annual expenses paid or incurred by the Trust by way of the advisory fee, mortgage servicing fees and all other expenses except those described above shall not exceed the lesser of:

(a) 1½% of the average of the "invested assets" on the first day of the calendar months in such fiscal period; or

(b) the greater of:
  - (i) 1½% of the average value of the "net assets" on the first day of the calendar months in such fiscal period; or
  - (ii) 25% of the net income of the Trust before deduction of the advisory fee.

In calculating the limitations on the advisory fee "invested assets" means the total assets under management or administration by the Trust at cost before deducting accumulated depreciation but less cash, cash items and short term marketable securities calculated as of the first day of the month and "net assets" means "invested assets" after deducting any liabilities of the Trust calculated as of the first day of the month.

Upon completion of the annual audit of the Trust the Bank must reimburse the Trust for the amount, if any, by which the advisory fee paid during the year exceeds the limitations. If the limitations on fees and expenses are increased by the appropriate regulatory authority the Bank may by notice to the Trustees increase the advisory fee to the permissible level or add to the expenses to be borne by the Trust.

If the Bank performs services for the Trust other than those specifically required to be performed by it under the Advisory Agreement, such services will be compensated for separately on a basis at least as favourable to the Trust as fees then generally charged by the Bank to others who are not affiliated with the Bank. The Bank will not receive from the Trust any amounts which may be considered to be finder's fees.

Conflict of Interest

Since the Bank and its affiliates are engaged in various mortgage lending and real estate activities which are similar to those undertaken by the Trustees, the Bank and its affiliates will, from time to time,

be engaged in competition with the Trust for available investment opportunities. The Declaration of Trust contains provisions designed to protect the Trust and the Unitholders where the interests of the Bank might conflict with the interests of the Trust. While the Bank has no obligation to present to the Trust any particular investment opportunity, the Bank is under an obligation to act on a basis which is fair and reasonable to the Trust and the Unitholders.

MANAGEMENT

The names and municipalities of residence of the Trustees and officers of the Trust and the Directors and officers of the Company and the principal occupation of each are as follows:

The Trust

Name and Municipality of Residence	Position	Principal Occupation and Type of Business
Arthur John Block,* Vancouver, B.C.	Trustee	President, A.R. Holdings Ltd., Investments.
Donald McGillivray Clark, Q.C., Vancouver, B.C.	Trustee	Senior Partner, Clark, Wilson, Barristers and Solicitors.
Norman Neil Green, Calgary, Alberta.	Trustee	President, Stewart, Green Properties Limited, Real estate.
Leon Kahn,*† Vancouver, B.C.	Trustee	President, Laurelton Investments Ltd., Real estate.
Allan David Laird,† Vancouver, B.C.	Trustee	President, A. D. Laird & Associates Ltd., Consulting.
Robert Horne Lee,* West Vancouver, B.C.	Trustee	President, Robert Lee Ltd., Real estate.
Robert James Mair,*† Vancouver, B.C.	Secretary and Trustee	Senior Partner, Lawson, Lundell, Lawson & McIntosh, Barristers and Solicitors.
John Lewis Schlosser, Edmonton, Alberta.	Trustee	President, Tri-Jay Investments Ltd., Investments.
Kenneth Theodore Stevenson,* Vancouver, B.C.	Trustee	Chairman, Pennyfarthing Development Corp., Real estate.
Thomas Clayton Brennen, North Vancouver, B.C.	Vice-President	Employee, Bank of British Columbia.
Kenneth Dale Browning, Richmond, B.C.	Controller	Employee, Bank of British Columbia.
Kenneth George Isard, North Vancouver, B.C.	Vice-President	Employee, Bank of British Columbia.

*Member of Investment Committee
†Member of Audit Committee

The Company

Messrs. Brennen, Mair, Kahn and Laird are the Directors of the Company. Mr. Brennen is Vice-President and Mr. Mair is Secretary of the Company.

All of the Trustees and officers of the Trust and Directors and officers of the Company have held their present positions or other executive or senior positions with the same or associated firms or organizations within the past five years except for Mr. Block whose principal occupation prior to September, 1984 was President of Block Bros. Industries Ltd. and Mr. Stevenson whose principal occupation prior to March, 1984 was Chairman and Chief Executive Officer of Stevenson Construction Co. Ltd., which position Mr. Stevenson continues to hold.

Remuneration

No remuneration was paid or payable by the Company to the Directors and the officers of the Company as such during the year ended December 31, 1983 or during the nine months ended September 30, 1984. The Company has no subsidiaries.

The aggregate remuneration paid by the Trust to the Trustees, as Trustees and officers of the Trust, who are not employees of the Bank, was $50,250 for the year ended December 31, 1983. During the nine months ended September 30, 1984, $30,250 was paid by the Trust to such Trustees. No remuneration has been paid by the wholly-owned subsidiaries of the Trust to the Directors or officers of these companies. No remuneration was paid by the Trust to Trustees or officers who are employees of the Bank.

Management Interests

The Bank owns 178,214 Trust Units which represent 6.79% of the Trust Units outstanding at the date of this Information Circular. Messrs. Block, Clark and Schlosser are directors of the Bank and as such have an interest in the Merger Agreement, the Advisory Agreement and in agreements entered into between the Trustees on behalf of the Trust and the Bank relating to the purchase of mortgages. During the year ended December 31, 1983, the Bank received from the Trust an advisory fee of $879,016 ($360,204 during the nine months ended September 30, 1984) and bank interest (at the Bank's prime rate) and standby fees totalling $105,431 ($97,192 during the nine months ended September 30, 1984). The Bank also received from the Company during the year ended December 31, 1983 interest on short term notes and commission on the sale of short term notes and medium term notes totalling $53,879 ($74,130 during the nine months ended September 30, 1984). The Bank has received and will receive from the Trust consideration paid by the Trust for any investments purchased by the Trust from the Bank from time to time.

As the Bank and the Trust each own 50% of the outstanding shares of the Company, the Bank and the Trust will each receive 50% of any dividends declared and paid by the Company. The Bank is entitled to receive from the Company normal fees for banking services.

As at September 30, 1984, the Trustees and officers of the Trust beneficially owned, directly or indirectly, a total of 19,200 Trust Units which represent 0.73% of the outstanding Trust Units.

As at September 30, 1984, the Trustees and officers of the Trust beneficially owned, directly or indirectly, shares and debentures of the Bank as follows: D.M. Clarke — 2,400 Common Shares; A.J. Block — 1,116 Common Shares; R.H. Lee — 612 Common Shares; R.J. Mair — 200 Common Shares; J.L. Schlosser — 2,716 Common Shares.

AUDITORS' REPORT

To the Trustees of
BBC Realty Investors

We have examined the consolidated balance sheets of BBC Realty Investors as at December 31, 1982 and 1983 and the consolidated statements of income and retained earnings and changes in financial position for the five years ended December 31, 1983. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion:

(a) The accompanying consolidated balance sheets present fairly the financial position of the trust as at December 31, 1982 and 1983.

(b) The accompanying consolidated statements of income and retained earnings and changes in financial position for the five years ended December 31, 1983 present fairly the results of operations and changes in financial position of the trust for the five years ended December 31, 1983;

all in accordance with generally accepted accounting principles applied on a consistent basis.

October 29, 1984
Vancouver, British Columbia.

(Signed) COOPERS & LYBRAND
Chartered Accountants

BBC REALTY INVESTORS (THE "TRUST")

(an unincorporated trust established under the laws of British Columbia)

CONSOLIDATED BALANCE SHEET

Assets

	Nine months ended September 30	December 31	
	1984 (unaudited)	1983	1982
Cash	$ 137,976	$ 2,217,952	$ 1,100,288
Investments (notes 3 & 4)	107,743,945	120,262,141	140,360,534
Income producing properties (note 5)	10,686,619	9,747,809	6,169,338
Investment in affiliated companies (note 6)	106,988	101,955	93,431
Other assets	319,609	347,972	324,696
	$118,995,137	$132,677,829	$148,048,287

Liabilities

	1984	1983	1982
Accounts payable and accrued liabilities	$ 298,879	$ 182,396	$ 219,173
Accrued interest payable	2,421,832	1,859,162	2,304,538
Income distribution payable (note 9)	131,196	459,187	813,417
Refundable commitment fees	47,950	13,350	150,170
Loans — Operating (note 11)	—	—	875,000
— Short-term (note 2)	41,956,142	43,304,856	35,432,673
— Medium-term (notes 2 & 7)	44,523,600	57,451,000	78,605,000
Unearned Revenue	92,838	147,910	417,689
Deferred Income Taxes	33,450	31,450	20,750
	$ 89,505,887	$103,449,311	$118,838,410

Unitholders' Equity

	1984	1983	1982
Trust units (note 8)	$ 29,109,144	$ 29,109,144	$ 29,109,144
Undistributed income	251,767	—	—
Retained Earnings (note 9)	128,339	119,374	100,733
	$ 29,489,250	$ 29,228,518	$ 29,209,877
	$118,995,137	$132,677,829	$148,048,287

APPROVED BY THE TRUSTEES

(Signed) A.D. Laird, Trustee

(Signed) R.J. Mair, Trustee

The accompanying notes form part of this statement.

BBC REALTY INVESTORS (THE "TRUST")

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Nine months ended September 30		Year ended December 31				
	1984	1983	1983	1982	1981	1980	1979*
	(unaudited)						
Revenue							
Investment income	$ 9,661,860	$12,243,882	$16,189,304	$23,693,947	$28,121,358	$22,679,671	$18,969,854
Property and other income	954,643	1,005,288	938,837	563,099	359,747	—	—
	10,616,503	13,249,170	17,128,141	24,257,046	28,481,105	22,679,671	18,969,854
Operating expenses							
Interest	8,423,289	8,922,637	11,712,640	18,594,404	20,568,202	15,283,961	12,226,891
Advisory fee	360,204	820,543	879,016	1,189,513	1,867,361	1,682,812	1,619,837
Property operating expenses	382,159	252,233	403,086	186,156	34,394	—	—
Other	202,180	250,337	350,411	340,857	200,447	164,462	163,614
Provision for deferred income taxes	2,000	—	10,700	750	20,000	—	—
	9,369,832	10,245,750	13,355,853	20,311,680	22,690,404	17,131,235	14,010,342
Net income before provision for losses	1,246,671	3,003,420	3,772,288	3,945,366	5,790,701	5,548,436	4,959,512
Provision for losses (note 4)	(225,000)	(500,000)	(1,116,600)	(364,709)	(100,000)	(500,000)	(100,000)
Net income for the period	1,021,671	2,503,420	2,655,688	3,580,657	5,690,701	5,048,436	4,859,512
Distribution to unitholders (note 9)	(760,939)	(2,177,860)	(2,637,047)	(3,568,541)	(5,602,084)	(5,048,436)	(4,859,512)
Retained earnings — beginning of period	119,374	100,733	100,733	88,617	—	—	—
Undistributed income and retained earnings — end of period	$ 380,106	$ 426,293	$ 119,374	$ 100,733	$ 88,617	$ Nil	$ Nil
Comprised of:							
Undistributed income	251,767	283,770	—	—	—	—	—
Retained earnings	128,339	142,523	119,374	100,733	88,617	—	—
	$ 380,106	$ 426,293	$ 119,374	$ 100,733	$ 88,617	$ Nil	$ Nil
Income per trust unit	$ 0.39	$ 0.95	$ 1.01	$ 1.36	$ 2.17	$ 1.92	$ 1.85
Income distributed (note 9)	$ 0.29	$ 0.83	$ 1.00	$ 1.36	$ 2.13	$ 1.92	$ 1.85

*Unconsolidated

The accompanying notes form part of this statement.

BBC REALTY INVESTORS (THE "TRUST")

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Nine months ended September 30		Year ended December 31				
	1984	1983	1983	1982	1981	1980	1979*
	(unaudited)						
Source of cash							
Net income for the period	$ 1,021,671	$ 2,503,420	$ 2,655,688	$ 3,580,657	$ 5,690,701	$ 5,048,436	$ 4,859,512
Add: Non-cash items							
Provision for losses ...	225,000	500,000	1,116,600	364,709	100,000	500,000	100,000
Loan losses	—	(71,991)	(71,991)	(324,709)	—	—	—
Amortization of unearned revenue ..	(55,072)	(2,250)	(268,109)	(297,373)	(132,499)	—	—
Depreciation	54,061	31,340	49,806	25,744	3,385	—	—
Equity in earnings of 50%-owned companies	(5,033)	(6,916)	(8,524)	(11,309)	(69,347)	—	—
Deferred income taxes	2,000	—	10,700	750	20,000	—	—
From operations........	1,242,627	2,953,603	3,484,170	3,338,469	5,612,240	5,548,436	4,959,512
Sale of Land	—	—	—	—	1,053,963	—	—
Loans							
— operating	60,150,000	42,050,000	50,900,000	73,500,000	111,950,000	107,900,000	65,850,000
— short-term	342,677,543	189,686,609	262,170,204	429,411,761	400,921,206	374,925,845	290,339,668
— medium-term......	35,087,600	28,366,000	37,631,000	53,000,000	27,416,000	21,995,000	11,150,000
Repayment of real estate mortgages	31,604,648	34,226,302	40,741,330	47,001,872	58,310,282	43,137,568	66,694,232
Net change of other assets and liabilities	1,083,560	—	5,935	—	—	—	546,038
	471,845,978	297,282,514	394,932,639	606,252,102	605,263,691	553,506,849	439,539,450
Use of cash							
Investment in real estate mortgages and agreements	11,387,951	15,870,715	22,346,434	24,304,185	58,560,503	66,918,442	68,363,962
Investment in property held for resale........	8,270,784	—	—	—	—	1,053,963	—
Investment in income-producing property ...	987,033	3,102,052	3,619,243	2,433,068	3,765,399	—	—
Repayment of note	—	—	—	—	9,700,000	—	—
Distribution to unit-holders excluding income distribution payable..............	1,088,929	2,335,295	2,991,277	4,158,925	5,704,417	4,911,991	4,756,027
Loan repayment							
— operating	60,150,000	41,975,000	51,775,000	79,125,000	106,950,000	106,500,000	65,950,000
— short-term	344,026,257	190,443,639	254,298,021	448,693,426	398,317,230	354,699,368	295,330,712
— medium-term......	48,015,000	44,321,000	58,785,000	47,825,000	22,416,000	18,940,000	5,050,000
Net change of other assets and liabilities	—	314,938	—	13,899	302,096	91,995	—
	473,925,954	298,362,639	393,814,975	606,553,503	605,715,645	553,115,769	439,450,701
Increase (decrease) in cash for the period....	(2,079,976)	(1,080,125)	1,117,664	(301,401)	(451,954)	391,090	88,749
Cash — beginning of period............	2,217,952	1,100,288	1,100,288	1,401,689	1,853,643	1,462,553	1,372,804
Cash — end of period...	$ 137,976	$ 20,163	$ 2,217,952	$ 1,100,288	$ 1,401,689	$ 1,853,643	$ 1,461,553

*Unconsolidated

The accompanying notes form part of this statement.

BBC REALTY INVESTORS (THE "TRUST")

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information as at September 30, 1984 and for the nine months ended September 30, 1984 is unaudited)

1. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiary companies, REIT Properties Ltd. and KQX Realty Holdings Ltd.

Investments in 50%-owned companies, BBC-RI Services Ltd. and BBC Realty Investments Limited, are accounted for by the equity method.

The Advisor

The Advisor provides investment opportunities, serves as financial consultant and administers the day-to-day affairs of the Trust. For these services the Trust pays a monthly fee not in excess of ⅛ of 1% of invested assets, subject to an annual maximum of 25% of the net income of the Trust before deduction of the advisory fee and an annual minimum of 1.5% of the average value of the net assets of the Trust.

Investments

Real Estate mortgages are recorded at the principal plus accrued interest less an allowance for losses. Properties held for resale are recorded at cost less an allowance for losses. Interest income is recorded on the accrual basis except as follows. The accrual of interest income is discontinued when payment of interest on loans is in arrears in excess of three months or sooner, if in the opinion of management the ultimate recovery of some portion of principal or interest is doubtful. In subsequent periods, interest from such loans is taken into income only when received.

Allowance for Losses

The Trust makes specific provision for any losses anticipated on its investments by evaluating individual loans and properties held for resale. The Trust may also make a general provision for possible loan losses.

Income per Trust Unit

Income per Trust unit is based on the number of Trust units outstanding on the quarterly record date of distribution.

Income Producing Properties

Income producing properties are carried at cost less accumulated depreciation. Depreciation is provided using the sinking-fund method over 40 years. The sinking-fund method provides for a depreciation charge of a fixed annual amount increasing at the rate of 5% per annum, which will result in the cost of the property being fully depreciated over its estimated useful life.

Income Taxes

The Trust conducts its affairs in a manner whereby it qualifies as a "unit trust" under the Income Tax Act (Canada). All of its taxable income is paid or payable to unitholders of record at the end of the period, and, accordingly, there is no provision for income taxes on income of the Trust.

Income taxes are provided at current rates on subsidiary operations. Deferred income taxes represent amounts deferred to future years due to the earlier deduction of certain expenses, principally depreciation, for tax purposes.

2. Financing agreement and related party transactions

The Bank of British Columbia and the Trust are 50% shareholders in BBC-RI Services Ltd. (BBC-RI), and BBC Realty Investments Limited.

At the request of the Trust and under the terms of an agreement dated January 2, 1973, BBC-RI borrows money and lends the net proceeds of such borrowings to the Trust at substantially similar terms and conditions. The Trust guarantees all such borrowings and standby lines of credit (note 10) and BBC-RI has agreed not to incur any indebtedness for money so borrowed except with the consent of the Trust.

The Trust pays interest at a rate or rates sufficient to reimburse BBC-RI for interest paid or payable on all its borrowings for all its expenses plus an amount based on the level of indebtedness between the Trust and BBC-RI.

In 1984 there were no transactions between the Trust and BBC Realty Investments Limited.

	September 30	December 31	
	1984	1983	1982
Transactions with BBC-RI:			
Loans outstanding — short term	$41,956,142	$43,304,856	$35,432,673
— medium term	26,523,600	41,451,500	57,605,000
	9 months	12 months	12 months
Interest paid during the period	$ 6,742,622	$ 9,484,386	$15,670,005

3. Investments

	September 30	December 31	
	1984	1983	1982
Real estate mortgages and agreements:			
Construction, development and land loans	$ 19,136,323	$ 19,171,458	$ 18,135,283
Other mortgage loans and agreements	82,488,748	102,670,310	122,101,381
	101,625,071	121,841,768	140,236,664
Accrued interest	1,207,699	1,554,982	2,213,870
	102,832,770	123,396,750	142,450,534
Property held for resale	8,270,784	—	—
	111,103,554	123,396,750	142,450,534
Less: Allowance for losses (note 4)	3,359,609	3,134,609	2,090,000
	$107,743,945	$120,262,141	$140,360,534

The real estate mortgages mature as follows:

On demand	$ 42,620,322
1984	10,823,047
1985	29,681,463
1986	15,998,512
1987	750,000
1988	1,751,727
	$101,625,071

The Trust has entered into commitments for mortgage loans in the amount of $3,578,000 which were not drawn down as at September 30, 1984.

4. Allowance for losses

	September 30	December 31	
	1984	1983	1982
Balance — beginning of period	$3,134,609	$2,090,000	$2,050,000
Add: Current periods' provision for losses	225,000	1,116,600	364,709
	3,359,609	3,206,600	2,414,709
Less: Loan losses	—	71,991	324,709
Balance — end of period	$3,359,609	$3,134,609	$2,090,000

5. Income producing properties

	September 30			December 31	
	1984			1983	1982
	Cost	Accumulated depreciation	Net book value	Net book value	Net Book value
Apartment building	$ 499,723	$ 3,291	$ 496,432	$ 493,382	$ —
Office building	3,818,467	83,445	3,735,022	3,739,227	3,769,338
Commercial buildings	6,495,588	40,423	6,455,165	5,515,200	2,400,000
	$10,813,778	$127,159	$10,686,619	$9,747,809	$6,169,338

Depreciation during the period amounted to $54,061 (1983 — $49,806; 1982 — $25,744).

6. Investment in affiliated companies
The investment in affiliated companies is as follows:

	September 30	December 31	
	1984	1983	1982
Investment in BBC-RI Services Ltd.	$ 98,270	$ 93,437	$ 85,093
Investment in BBC Realty Investments Limited	8,718	8,518	8,338
	$106,988	$101,955	$ 93,431

7. Medium term loans

	Fixed rate	Floating rate	Total September 30 1984
Medium term loans mature as follows:			
1984	$ 2,712,000	$ 1,000,000	$ 3,712,000
1985	1,052,600	22,000,000	23,052,600
1986	11,271,000	—	11,271,000
1987	—	1,000,000	1,000,000
1988	453,000	5,000,000	5,453,000
1989	35,000	—	35,000
	$15,523,600	$29,000,000	$44,523,600

Represented by $26,523,600 with BBC-RI Services Ltd. (note 2) and $18,000,000 with others.

8. Trust units

The number of Trust units authorized is unlimited and the amount issued and outstanding is as follows:

Issued and outstanding as at December 31, 1982 and 1983 and Setpember 30, 1984

Units	
2,623,927	$29,109,144

9. Income distribution and retained earnings

The Trust has declared distributions quarterly throughout the period as follows:

Date of record	Amount	Amount per trust unit outstanding	Trust units outstanding
March 31, 1984	$314,871	$0.12	2,623,927
June 30, 1984	314,871	0.12	2,623,927
September 30, 1984	131,197	0.05	2,623,927
	$760,939	$0.29	

Retained earnings are the result of accounting for the investment in affiliates, BBC-RI Services Ltd. and BBC Realty Investments Limited, on the equity basis and the consolidation of REIT Properties Ltd., and KQX Realty Holdings Ltd., wholly-owned subsidiaries of the Trust.

10. The Trust guarantees the following:

(a) Medium-term promissory notes issued by BBC-RI Services Ltd., $26,523,600.

(b) Short-term promissory notes issued by BBC-RI Services Ltd., $41,956,142.

(c) Standby lines of credit for BBC-RI Services Ltd. with Canadian Chartered Banks of $33,500,000, none of which was utilized at September 30, 1984.

All proceeds of the above have been advanced to the Trust.

11. Operating loans

The Trust maintains operating lines of credit for $7,500,000, none of which was utilized at September 30, 1984.

12. Subsequent Event

On October 29, 1984, the Trustees on behalf of the Trust entered into an agreement with Bank of British Columbia which provides for the Bank to subscribe for 2,445,713 Class B Units in the Trust, for the Trust to acquire 2,445,713 Common Shares in the capital of the Bank, and for reclassification of all outstanding Trust Units other than those held by the Bank as Class A Trust Units which are to be redeemed for one Common Share of the Bank for each such Trust Unit. This agreement is made subject to various conditions being met including approval of the agreement and certain necessary amendments to the Declaration of Trust by the Unitholders of the Trust. A meeting of Unitholders to consider the agreement and the amendments has been called to be held on November 22, 1984.

Preliminary Prospectus dated October 29, 1984

This prospectus is being filed with the Inspector General of Banks in accordance with the requirements of the Bank Act (Canada).
No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder, and any representation to the contrary is an offence.

Bank of British Columbia

Common Shares

This prospectus qualifies the distribution of 2,445,713 Common Shares of Bank of British Columbia (the "Bank") in accordance with the requirements of the Bank Act (Canada) in connection with the proposed distribution of such shares to the holders, other than the Bank, of Trust Units of BBC Realty Investors ("the Trust") pursuant to an agreement (the "Merger Agreement") dated October 29, 1984 between the Bank and the Trustees on behalf of the Trust. This distribution is subject to certain conditions including the approval of the Merger Agreement at a Special Meeting of Unitholders to be held on November 22, 1984. The Merger Agreement provides for the issue to the Trust by the Bank of 2,445,713 Common Shares at a price of $6.00 per share and the subsequent distribution of the 2,445,713 Common Shares by the redemption of all Trust Units other than those held by the Bank on the basis of one Common Share for each Trust Unit redeemed.

This prospectus also qualifies the distribution of a minimum of 8,000,000 Common Shares for aggregate proceeds of $48,000,000 and a maximum of 12,000,000 Common Shares for aggregate proceeds of $72,000,000 in accordance with the requirements of the Bank Act (Canada) in connection with the proposed distribution of such shares at a price of $6.00 per share to purchasers, each of whom must subscribe for shares with a minimum acquisition cost of $97,000. The price at which the Common Shares are to be issued to these purchasers was established as a result of negotiation between the Bank and arms-length purchasers and the price at which the Common Shares are to be issued pursuant to the Merger Agreement was fixed at the same price.

In the opinion of counsel, the Common Shares will be eligible for investment under certain statutes as set out under "Eligibility for Investment".

If all conditions contained in the Merger Agreement, including the necessary approvals, are satisfied, it is expected that certificates for Common Shares will be available for delivery on or about November 23, 1984.

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All dollar amounts are in Canadian dollars except where otherwise noted. Assets and liabilities in foreign currencies are translated into Canadian dollars at rates prevailing at the end of each reporting period. Revenue and expenses are translated at prevailing month-end rates.

This is a summary only and is qualified by the more detailed information appearing elsewhere in the prospectus.

PROSPECTUS SUMMARY

The Bank

Bank of British Columbia (the "Bank") provides a full range of banking services, both foreign and domestic, through fifty domestic branch offices (38 in British Columbia and 12 in Alberta) and five international offices (San Francisco, Los Angeles, London, Hong Kong and Grand Cayman).

Merger with BBC Realty Investors

The Bank has entered into an agreement with the Trustees on behalf of BBC Realty Investors (the "Trust") under which 2,445,713 Common Shares qualified by this prospectus will be issued and subsequently distributed to the Unitholders of the Trust other than the Bank, subject to certain conditions being met.

Bank Offering

The Board of Directors of the Bank has approved the issue and sale (the "Bank Offering") at a price of $6.00 per share of a minimum of 8,000,000 Common Shares and a maximum of 12,000,000 Common Shares qualified by this prospectus.

Asset Sale

The Board of Directors of the Bank has approved an arms-length agreement for the sale by the Bank of a portion of its loan portfolio and certain security acquired by the Bank, which generally consists of non-performing and other problem loans. This will result in a net charge to appropriations for contingencies of approximately $34.5 million and a reduction in the Bank's net income before provision for income taxes of approximately $9.6 million and in its net income of approximately $4.8 million in fiscal 1984.

Dilution

Upon the completion of the transactions described above, the book value per Common Share as at September 30, 1984 will be reduced from $17.29 per Common Share to $7.21 per Common Share if the minimum of 8,000,000 Common Shares are issued pursuant to the Bank Offering or to $6.97 per Common Share if the maximum of 12,000,000 Common Shares are issued pursuant to the Bank Offering.

Selected Financial Information(1)

(in thousands of dollars except where noted)

	Nine months ended July 31		Years ended October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Total Assets	$3,189,444	$3,098,959	$3,057,771	$3,254,056	$2,945,915	$2,311,268	$1,975,725
Securities	207,225	270,543	242,217	281,845	282,045	233,158	203,227
Loans	2,557,757	2,434,691	2,380,481	2,584,941	2,336,338	1,746,997	1,467,038
Deposit Liabilities	2,926,058	2,852,388	2,798,648	3,033,292	2,732,199	2,140,006	1,853,476
Debentures	13,348	19,367	19,367	19,378	19,402	19,420	19,440
Capital and Reserves (including Appropriations for Contingencies)	127,971	124,145	135,502	116,219	109,856	86,790	59,654
Total Capital and Reserves and Debentures	141,319	143,512	154,869	135,597	129,258	106,210	79,094
Net Income	1,783	9,026	12,126	11,734	17,326	9,328	6,606
Return on Assets (2)	0.08%	0.38%	0.39%	0.37%	0.66%	0.44%	0.37%
Return on Common Equity (3)	(1.1%)	10.3%	10.0%	10.1%	19.4%	12.9%	12.1%
Per Common Share (in dollars) (4):							
Shareholders' Equity	$17.41	$20.43	$18.07	$19.66	$19.22	$17.35	$15.48
Appropriations for Contingencies	0.04	0.13	0.72	3.67	6.15	4.50	3.99
Book Value	17.45	20.56	18.79	23.33	25.37	21.85	19.47
Net Income (Loss)	(0.15)	1.77	2.20	2.51	4.48	2.65	2.18
Dividends	0.36	0.54	0.72	0.72	0.64	0.56	0.50

(1) See "Analysis of Operating Results" for commentary on certain of these items and "Material Events" for a description of proposed transactions which are expected to have a material effect upon the Bank's financial condition. See also "Condensed Pro Forma Consolidated Statement of Assets and Liabilities".

(2) Net income divided by average assets for the period.

(3) Net income less preferred dividend obligations divided by average capital and reserves less preferred shares issued.

(4) Based on the equivalent of fully paid common shares and after giving effect to the two for one subdivision on March 15, 1982.

THE BANK

Bank of British Columbia (the "Bank"), a chartered bank subject to the provisions of the Bank Act (Canada) (the "Bank Act"), was incorporated by Special Act of Parliament in December, 1966 and commenced operations in July, 1968. The head office of the Bank is located at Two Bentall Centre, 555 Burrard Street, Vancouver, British Columbia.

Unless the context otherwise requires, the term the "Bank" refers to Bank of British Columbia together with its subsidiaries, all of which are wholly-owned.

BUSINESS OF THE BANK

Organization of the Bank

The Bank provides a full range of banking services, both foreign and domestic, through fifty domestic branch offices (38 in British Columbia and 12 in Alberta) and five international offices (San Francisco, Los Angeles, London, Hong Kong and Grand Cayman).

The Corporate Credit Department supervises the majority of the domestic lending in the Bank. This includes credit applications processed through the branch system and through the Corporate Banking Department. A Real Estate Department has been established to manage the real estate lending of the Bank. International Banking is responsible for its portfolio of interbank loans and sovereign risk loans while administering loans to foreign corporations and managing its own treasury and foreign exchange operations. The Investment Department performs the domestic treasury functions and administers the securities portfolio of the Bank.

The Bank's domestic lending has primarily been concentrated in small and medium sized loans, with only a few exceptions exceeding $25 million. Lending limits are given to branch personnel based on their experience and capabilities. These limits enable them to handle most consumer and small business loans which originate in the branches. Credit applications in excess of established limits are recommended to the Corporate Credit Department where the application may be approved, restructured or declined.

The Bank's mortgage lending is primarily undertaken through its wholly-owned subsidiary, Bank of British Columbia Mortgage Corporation. Applications are taken through the Bank's branches and approved and administered by the Mortgage Department.

The Corporate Banking Department was added in 1981 to assist in attracting larger corporate borrowers and structuring more sophisticated credit facilities for existing clientele. Once this department has completed its loan analysis, it recommends the loan for authorization through the Corporate Credit Department. The Corporate Banking Department retains the ongoing responsibility for maintenance and supervision of these accounts. The Corporate Banking Department is also responsible for the initiation, structuring and analysis of major corporate loans in foreign currencies. The Corporate Banking Energy Department was established in Calgary to participate in the highly specialized energy market.

The Investment Department manages the Bank's liquidity position and is responsible for the Canadian dollar funding and capital planning functions of the Bank. It is the policy of the Bank to closely match the term and rate structure of its assets and liabilities. Investment Department personnel administer this policy within limits established by senior management of the Bank. The Bank funds its Canadian dollar loan portfolio and other assets from numerous and diverse sources. See "Deposits".

The Bank's foreign currency funding requirements are managed by International Banking. Deposits are raised from a variety of sources including personal and non-personal accounts and term deposits via branches, "swap" deposits, interbank deposits, lines of credit and wholesale term deposits. The policy of the Bank is to fully hedge all its foreign exchange risks and to match floating rate assets with floating rate liabilities.

The Bank also conducts foreign exchange trading activities on its own behalf and on behalf of its clients in most major foreign currencies. Foreign exchange trading risks are controlled by establishing allowable individual currency positions, trader dealing limits and customer credit limits for currency transactions.

Various departments within the Bank provide specialized services to senior management, branches and other operational departments and subsidiaries of the Bank. Some of the major service areas are:

financial reporting and management information systems; human resources; systems and information processing; administration and operations; purchasing; premises; legal; sales and product development; advertising and communication; and inspection. These groups, in addition to ensuring consistency of methods and procedures across the Bank, also provide in-house expertise in many functional areas.

Automated computer systems have replaced virtually all of the Bank's labour intensive branch functions. The first automated banking machines were introduced in late 1983. Conversions to on-line terminals throughout the entire branch network are expected to be completed in 1985.

WestBank Leasing Limited, a wholly-owned subsidiary of the Bank, is active in the financial equipment leasing market, generating for its own account and brokering leases.

Classification of Assets

As at July 31, 1984 and July 31, 1983, the classification of the Bank's assets was as follows:

	As at July 31			
	Percentage of consolidated assets, at book value, devoted thereto		Percentage of gross revenue (1) derived therefrom	
	1984	1983	1984	1983
Loans	80%	79%	84%	82%
Investment in securities of the Government of Canada	3%	3%	3%	3%
Investment in securities other than securities mentioned above	4%	6%	5%	7%
Deposits with banks	6%	6%	3%	4%
Other	7%	6%	5%	4%
	100%	100%	100%	100%

(1) Dividends and other non-taxable income from securities have been grossed up to a taxable equivalent basis.

The Bank Act requires that a bank maintain a primary reserve in Canadian currency in the form of coins, Bank of Canada notes or deposits with the Bank of Canada. This reserve shall not be less on average during any month than an amount equal to the aggregate of 10% of Canadian currency demand deposit liabilities, 2% of Canadian currency notice deposit liabilities, 1% of the amount by which Canadian currency notice deposit liabilities exceed $500 million, and 3% of the foreign currency deposits held in Canada by Canadian residents. The assets comprising the primary reserve of the Bank are non-income producing.

The Bank Act also empowers the Bank of Canada to require a bank to maintain, in addition to the primary reserve, a secondary reserve in the form of excess primary reserves, Government of Canada treasury bills and day loans to investment dealers at such percentage of its deposit liabilities subject to primary reserve requirements as may be fixed by the Bank of Canada pursuant to the Bank of Canada Act. Under this Act, the secondary reserve requirements may not be greater than 12%. The present requirement is 4%.

Canadian and foreign currency deposits of non-residents with offices of the Bank outside Canada are exempt from reserve requirements. Deposit liabilities of subsidiaries that are factoring or leasing corporations, and Canadian currency deposits of Canadian residents with foreign branches or wholly-owned foreign subsidiaries, are included in calculating reserves. Liabilities of other subsidiaries, including mortgage loan corporations, are not included.

As at July 31, 1984, the Bank complied with the primary and secondary reserve requirements, having maintained in its primary reserve a daily average deposit with the Bank of Canada of $31.8 million, as against a requirement of $30.5 million, and a daily average of $73.3 million in its secondary reserve, as against a requirement of $65.5 million.

Securities

Securities are held by the Bank for various reasons. Government of Canada treasury bills are eligible securities for satisfaction of the secondary reserve requirement. Federal treasury bills in excess of reserve requirements, provincial treasury bills, chartered bank bearer discount notes, bankers' acceptances and commercial paper are some of the other most common securities that make up the Bank's portfolio of liquid investments. These highly liquid securities provide additional reserves beyond those required by the Bank Act giving the Bank protection against disruptions in funding or unexpected credit demands of its clients. Other securities, such as federal or provincial bonds, are held primarily for their income producing and trading profit potential, but also as a source of liquidity. Certain securities are acquired as the functional equivalent of the extension of bank credit enabling clients to borrow through the issue of preferred shares, income debentures or small business development bonds.

The Bank held securities as indicated in the table below as at the dates shown:

(in thousands of dollars)

	As at July 31		As at October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Securities issued or guaranteed by Canada							
Treasury bills	$ 67,809	$ 78,234	$ 91,002	$ 77,025	$ 99,611	$ 91,350	$ 67,195
Other maturing within three years	8,808	9,713	9,713	7,737	9,083	6,813	10,649
Other not maturing within three years	12,032	11,773	11,774	8,220	13,462	29,841	26,855
Insured or guaranteed by provinces, municipalities or school corporations	4,726	5,954	993	1,069	1,119	1,059	860
Other securities	113,850	164,869	128,735	187,794	158,770	104,095	97,668
Total securities	$207,225	$270,543	$242,217	$281,845	$282,045	$233,158	$203,227

Securities are valued in accordance with instructions issued under the authority of the Minister of Finance of Canada. Securities in the investment portfolio issued or guaranteed by Canada and the provinces are recorded at amortized values. As at July 31, 1984, the Bank's investment portfolio of securities issued by the Government of Canada was carried on its books at the amortized cost of $88.6 million and had a market value of $86.3 million. Other securities held in the investment portfolio are carried at cost or amortized values or are valued using the equity method depending on their prescribed portfolio classification. Securities held in the trading account are recorded at market value.

Loans

The Bank's credit policy is the direct responsibility of the senior executives of the Bank. This policy is administered by the executives who head the Corporate Credit, Real Estate, International Banking and Corporate Banking departments. These respective departments monitor adherence to policy to ensure the overall quality of the Bank's loan portfolio and approve specific exceptions to credit policy within their authority. Loans which are particularly large or exceptional in nature are approved by senior management and the Board of Directors. More generally, loans are approved as close to the point of origin as possible. All loans are reviewed at least annually, as a matter of policy, by a credit officer of the Bank.

The Bank's principal lending activities include the extension of credit to the corporate sector and the granting of personal and residential mortgage loans.

Approximately 72% of the dollar amount of the Bank's loan portfolio carries interest at variable rates. The balance of the portfolio carries fixed interest rates. As noted earlier, it is the policy of the Bank to match the rate and term characteristics of its assets and liabilities. It is also its policy to match the currency composition of its assets and liabilities, except for nominal trading positions.

Sovereign risk exposure and country lending limits are managed with reference to the economic and political conditions in various parts of the world where the Bank extends credit. Specific lending limits are established for each country and individual borrower.

The following table shows the distribution of the Bank's loans net of the provisions for losses as at the dates shown:

	(in thousands of dollars) As at June 30 (1)				
	1984	1983	1982 (unaudited)	1981	1980
Canadian currency					
Personal loans and mortgages	$ 848,099	$ 815,549	$ 862,124	$ 764,277	$ 596,760
Industrial and merchandising	429,677	348,822	399,471	398,724	315,717
Real estate and construction	307,498	332,106	376,889	242,459	139,069
Financial institutions	142,925	196,517	180,582	108,925	48,334
Other loans	245,714	213,701	229,327	309,532	323,780
Total Canadian	1,973,913	1,906,695	2,048,393	1,823,917	1,423,660
Foreign currency (2)	578,191	556,049	525,074	288,515	193,065
Total loans (3)	$2,552,104	$2,462,744	$2,573,467	$2,112,432	$1,616,725

(1) Reported as at June 30 rather than July 31 for regulatory reporting purposes.

(2) As at June 30, 1984, approximately 96% of foreign currency loans were in U.S. dollars. The majority of such loans were to governments and government agencies and to the real estate, energy, and mining sectors.

(3) As at June 30, 1984, Canadian currency fixed rate loans were $689 million and foreign currency fixed rate loans were $33 million.

Foreign currency assets of the Bank are composed primarily of foreign currency loans and deposits with other banks in U.S. dollars.

As the table below indicates, as at July 31, 1984, approximately 25% of the Bank's assets were denominated in foreign currency and, as at June 30, 1984, approximately 56% of such foreign currency assets were North American, based on location of ultimate risk.

Foreign Currency Assets (1)	1984	1983	1982
As at July 31 (millions of dollars)	$798.4	$774.7	$838.2
As a percentage of total assets at July 31	25.0%	25.0%	24.6%
	1984	1983	1982
As at June 30 (millions of dollars)	$757.1	$784.6	$899.7
As a percentage of total assets at June 30	23.9%	25.3%	26.3%
Distribution of Foreign Currency Assets as at June 30	1984	1983	1982
Canada	51.0%	45.1%	34.3%
Asia/Pacific			
Japan	3.5	10.0	7.9
South Korea	5.3	4.5	3.7
Other Asia/Pacific countries	4.3	8.3	4.5
Europe			
United Kingdom	4.9	0.7	2.2
European Economic Community countries	6.8	7.8	12.4
Other European countries	4.9	5.2	3.9
Mexico	8.1	7.1	7.2
Caribbean	1.2	0.9	2.3
United States	4.7	5.7	16.2
South America	5.3	4.7	5.4
	100.0%	100.0%	100.0%

(1) Reported as at June 30 (except as otherwise stated) rather than July 31 for regulatory reporting purposes. Foreign currency assets are expressed in Canadian dollar equivalent. The location of ultimate risk is defined as the location of the borrower, or, if guaranteed, the guarantor.

There are foreign exchange restrictions in certain of the countries in which the Bank carries on its operations. These restrictions do not have any material effect on the Bank's international operations.

Land and Premises

The Bank acquired on July 29, 1980 a 50.1% beneficial interest in a property located at the corner of Georgia and Hornby Streets in the centre of Vancouver's business district. On February 24, 1984 the Bank entered into a long term land lease with a subsidiary of Imperial Life Assurance Company, which will construct a major office tower on the property. Total annual base rent to the Bank for the land will be approximately $961,920 for each of the first three years, then the greater of base rent or approximately 11.5% of net income for each of the next five years, rising to the greater of base rent or approximately 12.5% of net income in each year thereafter. Following completion of construction, the Bank will relocate its Head Office Departments into this office tower which is expected to be identified with the name of the Bank. At the end of the sixth year of its occupancy and, if not exercised, again at the end of the eleventh year the Bank has an option to purchase a 25% interest in the building based on 25% of the net income of the building capitalized at 8.5%.

In addition, the Bank owns the premises of three of its fifty domestic branch locations and the remainder are leased. As well, the Bank owns a property in the central business district of Kamloops for possible development in the future to satisfy its branch requirements.

Deposits

The following table presents the classification of the Bank's deposits as at the dates shown:

(in thousands of dollars)

	As at July 31		As at October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Deposits by Canada	$ 21,622	$ 54,807	$ 40,039	$ 35,199	$ 45,479	$ 35,673	$ 22,454
Deposits by provinces	11,059	33,275	33,620	40,915	13,857	27,646	8,250
Deposits by banks in Canadian currency	169,089	25,447	31,704	2,975	3,286	6,682	1,656
in currencies other than Canadian	528,507	494,002	480,123	377,999	374,871	171,951	143,222
Deposits by individuals	1,271,504	1,340,202	1,367,616	1,363,541	1,355,325	1,095,019	823,592
Other deposits in Canadian currency	685,500	677,696	658,779	907,987	706,680	553,324	624,584
in currencies other than Canadian	238,777	226,959	186,767	304,676	232,701	249,711	229,718
	$2,926,058	$2,852,388	$2,798,648	$3,033,292	$2,732,199	$2,140,006	$1,853,476

The Bank's marketing strategy has been focused primarily on the acquisition and retention of deposits by individuals. These deposits are considered to be relatively more stable and have a lower interest expense than wholesale funds. Innovative deposit instruments such as the Pioneer Savings Account for senior citizens, the Bonanza Account, the Pioneer Bonanza Account, the Cash Investment Account and the Bank's daily interest account, have helped to keep deposits by individuals at approximately 61% of the total domestic deposits. The recent decline in deposits by individuals results from the adverse economic conditions in British Columbia and Alberta, recent Canada Savings Bond campaigns, and increased competition including retail purchases of Canada Treasury Bills.

Debenture Maturities

The aggregate sinking fund requirements for the next five years of the Bank's debentures outstanding at July 31, 1984 are $56,000. The aggregate sinking fund requirements and maturities of the Bank's debentures as at July 31, 1984 are shown in the following table:

	(in thousands of dollars)
Within 1 year	$ 0
From 1 to 2 years	3,014
Over 2 to 3 years	14
Over 3 to 5 years(1)	10,028
Over 5 to 10 years	292
Over 10 years	—

(1) The Bank's 10¼% debentures maturing May 15, 1989 may be redeemed at the Bank's option on or after May 15, 1984 until maturity.

Appropriations for Contingencies

The following table sets forth the Bank's appropriations for contingencies as at the dates shown:

(in thousands of dollars)

	As at July 31		As at October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Tax-allowable appropriations	$(16,965)	$ (9,425)	$(13,400)	$ 4,675	$17,330	$13,635	$12,236
Tax-paid appropriations	17,154	9,979	17,102	10,649	4,640	154	—
Total	$ 189	$ 554	$ 3,702	$15,324	$21,970	$13,789	$12,236

The appropriations for contingencies consists of two elements: tax-allowable and tax-paid. The tax-allowable portion is limited by regulations prescribed by the Minister of Finance to an amount equal to a percentage (1½% of the first $2 billion and 1% of the excess thereof) of eligible assets. Transfers to tax-allowable appropriations for contingencies are made on a tax-deductible basis. In addition, the Bank may make transfers from retained earnings to tax-paid appropriations for contingencies as deemed appropriate by management.

The above transfers are in addition to the provisions for losses on loans that have been deducted in determining the carrying value of loans as reported in the Consolidated Statement of Assets and Liabilities.

Loan Loss Experience

Specific provisions for anticipated losses on loans are established by an annual review on an account by account basis and are initially recommended by the responsible credit officers and subsequently approved by senior management. In addition, the Bank makes general provisions for possible losses on sovereign risk loans. The annual amount recorded as loan loss experience in the Consolidated Statement of Appropriations for Contingencies represents the net change in provisions for losses less recoveries on loans previously written off.

The charge to net income with respect to the provision for loan losses is an amount determined by a formula established by the Minister of Finance. The annual provision is determined by calculating the ratio of the last five years of loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the period. See "Material Events — Asset Sale" regarding the Bank's intention with respect to the provision for loan losses in future years.

The following table shows the loan loss experience and the amounts of the provisions for loan losses recorded for the periods indicated:

(in thousands of dollars)

	Nine months ended July 31		Years ended October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Provision for loan losses included in the Consolidated Statement of Income (1)	$ 22,085	$ 18,720	$ 22,703	$ 15,347	$ 9,515	$ 7,225	$ 6,035
Less loan loss experience (1)	25,598	36,490	51,325	27,993	9,038	6,692	$ 6,210
Net credit (charge) to appropriations for contingencies	$ (3,513)	$ (17,770)	$ (28,622)	$ (12,646)	$ 477	$ 533	$ (175)
Eligible loans (1)(2)	$2,898,000	$2,650,000	$2,372,789	$2,535,969	$2,298,450	$1,736,187	$1,415,657
As an annual percentage of eligible loans:							
Provision for loan losses	1.02%	0.94%	0.96%	0.61%	0.41%	0.42%	0.43%
Loan loss experience	1.18%	1.84%	2.16%	1.10%	0.39%	0.39%	0.44%

(1) According to rules prescribed by the Minister of Finance the amounts recorded as provision for loan losses and loan loss experience for the first three quarters of fiscal 1984 and 1983 represent three-quarters of the then estimated fiscal year amounts. Similarly, eligible loans are estimates of fiscal year-end amounts.

(2) Eligible loans include loans, acceptances, letters of credit and guarantees but exclude loans to or guaranteed by the government of Canada or a province (and prior to October 1983, the governments of the United States of America and the United Kingdom).

The following table shows the domestic and foreign loan loss experience recorded for the periods indicated:

(in thousands of dollars)

	Nine months ended July 31		Years ended October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Domestic loss experience	$24,464	$36,540	$51,375	$25,293	$7,788	$7,081	$6,135
Foreign loss experience	1,134	(50)	(50)	2,700	1,250	(389)	75
Loss experience	$25,598	$36,490	$51,325	$27,993	$9,038	$6,692	$6,210

A loan recovery group within the Bank's Corporate Credit Department supervises loan recovery procedures in order to minimize the ultimate loss on existing and potential delinquent corporate loans of the Bank.

Non-Current Loans

Non-current loans as defined in the Bank Act include loans where the borrower has not paid interest on the loan for specified periods of time and loans where the Bank has taken realization proceedings or where the manager of the branch where the loan is recorded or an officer of the Bank who has examined the circumstances relating to the loan is of the opinion that the loan should be regarded as non-current. Reports on non-current loans are reviewed on a regular basis by senior management and the Directors of the Bank. The following table sets forth the Bank's distribution of its non-current loans, net of provisions for losses, and the location of ultimate risk as at the dates shown.

(in thousands of dollars)

	As at July 31	
	1984	1983
	(unaudited)	
Distribution:		
Canadian currency:		
Personal loans and mortgages	$ 2,855	$ 6,120
Commercial loans	67,998	66,804
Total Canadian	70,853	72,924
Foreign currency	6,015	7,476
Total	$76,868	$80,400
Location of Ultimate Risk:		
Canada	92.1%	94.2%
United States	—	—
Other	7.9	5.8
	100.0%	100.0%

A substantial portion of non-current loans are real estate and construction loans.

Except as hereinafter stated, interest income is recorded on the accrual basis. When interest on a loan is due and has not been collected for a period of 90 days, the Bank ceases to accrue interest on that loan. When a loan becomes non-current, previously accrued and uncollected interest is deducted from current income. Interest income on non-current loans is recorded only on a cash basis.

Non-Performing Loans

Non-performing loans (which include non-current loans) are all loans on which the Bank has ceased to accrue interest into income due to non-payment thereof or due to the financial condition of the borrower and those loans which have been renegotiated at a reduced interest rate. Total non-performing loans, net of provisions for losses, as at July 31, 1984 were $121.7 million and as at July 31, 1983 were $95.5 million. See also "Material Events — Asset Sale" for information regarding the Bank's proposed sale of certain of its non-performing loans.

Inspection

The Bank Act provides for the appointment of an Inspector General of Banks who is responsible for examination and inquiry into the affairs and business of each chartered bank for the purposes of satisfying himself that the provisions of the Act having reference to the safety of the creditors and shareholders of the bank are being duly observed and that the bank is in sound financial condition. On the conclusion of each examination and inquiry a report thereon is submitted to the Minister of Finance.

The Bank maintains an inspection department with an experienced staff for the purpose of carrying out comprehensive inspections of each of its branches at least once every 18 months.

An examination of the affairs of each chartered bank is also carried out annually by two firms of qualified accountants acting jointly who are appointed by the bank's shareholders to act as auditors.

Analysis of Operating Results

The Bank's operating results for the nine months ended July 31, 1984 and July 31, 1983, as well as for the past three fiscal years, are set forth below:

	(in thousands of dollars except where noted)				
	Nine months ended July 31		Years ended October 31		
	1984	1983	1983	1982	1981
	(unaudited)				
Income:					
Net interest income	$64,716	$77,178	$103,816	$85,221	$84,137
Less provision for loan losses	22,085	18,720	22,703	15,347	9,515
Net interest income after loan loss provision	42,631	58,458	81,113	69,874	74,622
Other income	13,794	12,031	15,813	16,626	17,123
Net interest and other income	56,425	70,489	96,926	86,500	91,745
Non-interest expenses:					
Salaries and benefits	37,278	40,321	54,163	51,384	42,464
Premises and equipment expenses, including depreciation	10,545	9,886	13,091	11,441	10,157
Other expenses	11,369	13,844	16,946	19,641	16,166
Total non-interest expenses	59,192	64,051	84,200	82,466	68,787
Net income before provision for income taxes	(2,767)	6,438	12,726	4,034	22,958
Provision for income taxes	(4,550)	(2,588)	600	(7,700)	5,632
Net income for the period	$ 1,783	$ 9,026	$ 12,126	$11,734	$17,326
Net income (loss) per common share	$ (0.15)	$ 1.77	$ 2.20	$ 2.51	$ 4.48
Return on assets (1)	0.08%	0.38%	0.39%	0.37%	0.66%
Return on common equity (2)	(1.1%)	10.3%	10.0%	10.1%	19.4%

(1) Net income divided by average assets for the period.
(2) Net income less preferred dividend obligations divided by average capital and reserves less preferred shares issued.

The principal factors affecting the Bank's operating results in the past three years have been variations in interest rates and the worldwide and Western Canadian economic downturn which severely affected both the Bank and its customers throughout this period. This downturn followed a period of sustained inflation which assisted the Bank in more than doubling its assets over the past five years. During this inflationary period interest rates reached extremely high levels peaking in August, 1981. The adverse effects on the Bank's customers of the sustained high level of interest rates combined with the deteriorating economic environment have led to substantially increased loan loss experience. While the level and volatility of interest rates have both declined, effects of the recession in British Columbia and Alberta are expected to continue for some period of time.

1982 Compared to 1981

Net income for fiscal 1982 was $11.7 million, a decrease of 32.3% from fiscal 1981 earnings of $17.3 million. This decrease was mainly attributable to the significant increase in the provision for loan losses and the higher level of non-performing loans resulting from the poor economic conditions prevailing throughout the year. The provision for loan losses in fiscal 1982 was $15.3 million, up from $9.5 million for fiscal 1981. This provision is based on a five year average in accordance with regulations prescribed by the Minister of Finance. Actual loan loss experience in fiscal 1982, calculated according to the Bank's net change in loan loss reservations for individual accounts less recoveries on loans previously written off, was $28.0 million compared to $9.0 million for fiscal 1981. The difference between actual loan loss experience and the provision for loan losses in fiscal 1982 of $12.7 million was charged to capital and reserves as a reduction of appropriations for contingencies. Net income for fiscal 1982 included a tax credit of $7.7 million arising out of non-taxable income of $17.3 million from securities of and investments in taxable Canadian corporations. These tax exempt revenues increased from $10.5 million in fiscal 1981 largely as a result of the increased level of loans under the federal government's small business development program.

A contributing factor to lower net income in fiscal 1982 was a decline in interest spreads resulting from the fall in interest rates during this period. Rates of return on average assets and common equity declined substantially to 0.37% and 10.1%, respectively, for fiscal 1982 compared to 0.66% and 19.4%, respectively, for fiscal 1981 as a result of lower net income.

1983 Compared to 1982

The Bank's net income for fiscal 1983 was $12.1 million compared to $11.7 million for fiscal 1982 and net income before provision for income taxes was $12.7 million for fiscal 1983 compared to $4.0 million for fiscal 1982. The improvement was the result of an increase in net interest income more than offsetting the significant increase in the loan loss provision. The growth in net interest income was entirely due to improved spreads made possible by lower and more stable interest rates in 1983 than in 1982. The lower interest rates which prevailed in 1983 compared to 1982 resulted in a considerable improvement in the profitability of the Bank's fixed rate loan portfolio and reduced the negative impact on earnings of carrying non-performing loans.

Loan losses continued to be a problem for the Bank in 1983. The Bank's actual loan loss experience in fiscal 1983 was $51.3 million, up 83.3% from $28.0 million in fiscal 1982. The provision for loan losses in fiscal 1983 was $22.7 million representing a 47.9% increase over the fiscal 1982 level of $15.3 million.

During fiscal 1983 the Bank's assets declined by 6% from $3.3 billion at October 31, 1982 to $3.1 billion at October 31, 1983. This decline in assets was the result of weak loan demand in the provinces of British Columbia and Alberta.

Nine Months Ended July 31, 1984 Compared to 1983

Net income for the nine months ended July 31, 1984 was $1.8 million, a decline of $7.2 million from the same period in 1983. After providing for dividends on the Bank's preferred shares the Bank recorded a loss applicable to the common shareholders of $786,000 for the nine months ended July 31, 1984 compared to a profit of $7.4 million for the same period in 1983. The main reasons for the decline in earnings were lower net interest income and an increase in the provision for loan losses.

The decline in net interest income is the result of narrowing interest spreads caused primarily by increasing interest rates during the nine months ended July 31, 1984. The fixed rate nature of the Bank's consumer loan and mortgage portfolios results in the yield of these portfolios lagging behind the increase in the cost of funds during a period of rising interest rates. Higher interest rates also increase the cost of funding the Bank's non-performing loans.

The provision for loan losses during the first three quarters of fiscal 1984 was up 18% to $22.1 million from $18.7 million for the same period last year. This increase occurred in spite of the fact that actual loan loss experience during the same period declined because, as noted above, the provision is based on a five year average of loan loss experience. Actual loan loss experience for the first three quarters of fiscal 1984 was $25.6 million, a decrease of 30% from the $36.5 million recorded for the corresponding period last year.

Non-interest expenses declined 7.6% during the first nine months of fiscal 1984 to $59.2 million from $64.1 million for the same period last year. This reduction occured primarily as a result of the continuing restraint program instituted by the Bank in early 1983, which included among other things, a reduction in the number of employees of the Bank from approximately 1,900 in October, 1982 to approximately 1,680 in August, 1984.

Provision for Income Taxes

The income and capital gains of the Bank are taxed under the provisions of the Income Tax Act (Canada) and the income tax acts of the provinces of Canada at the standard rates of tax prescribed by these statutes, less appropriate credits for income taxes incurred and paid to foreign countries.

The Bank's provision for income taxes, as reported in the Consolidated Statement of Income, differs from the product of net income before taxes multiplied by the Bank's marginal tax rate. The major reasons for this are that certain sources of income are tax-exempt and others are taxed at less than the marginal rate.

Personnel

As at August 31, 1984 the Bank had approximately 1,680 employees. A portion (24 employees) of one of the Bank's fifty domestic branches is represented by the Union of Bank Employees pursuant to a collective agreement which expires April 10, 1985.

Intercorporate Relationships

There are no subsidiaries which account for more than 10% of the assets and operating revenues of the Bank on a consolidated basis. The following table lists subsidiaries and affiliates which carry on aspects of the Bank's business and in which the Bank owns more than 10% of the voting shares:

Name	Head Office address	Jurisdiction of incorporation	Percent of voting shares owned by the Bank
British Columbia Financial Corp. (H.K.) Limited	3407 Gloucester Tower The Landmark 11 Pedder St. Hong Kong	Hong Kong	100
Bank of British Columbia (International) Limited	P.O. Box 2198 Transnational House Grand Cayman Cayman Islands British West Indies	Cayman Islands	100
WestBank Leasing Limited	1235-555 Burrard St. Vancouver, B.C. Canada	Canada	100
Bank of British Columbia Mortgage Corporation	1235-555 Burrard St. Vancouver, B.C. Canada	Canada	100
BBC Realty Ltd.	1235-555 Burrard St. Vancouver, B.C. Canada	British Columbia	100
BBC Investments Ltd.	1235-555 Burrard St. Vancouver, B.C. Canada	British Columbia	100
BBC-RI Services Ltd.	635-555 Burrard St. Vancouver, B.C. Canada	British Columbia	50 (1)
BBC Realty Investments Limited	635-555 Burrard St. Vancouver, B.C. Canada	British Columbia	50 (1)

(1) Upon the completion of the Merger Agreement referred to below under "Material Events", the Bank will, directly or indirectly, own 100% of the voting shares of these corporations.

THE BANK ACT

General

The operations of the Bank are governed by the Bank Act and also by the respective laws of the countries in which it carries on its operations. The Bank Act provides for the appointment of an Inspector General of Banks who is responsible for examination and inquiry into the affairs and business of each Canadian chartered bank for the purpose of satisfying himself that the provisions of the Bank Act, relating to the safety of the depositors, creditors and shareholders of the bank, are being fully observed and that each bank is in a sound financial condition. At the conclusion of each examination and inquiry a report thereon is submitted to the Minister of Finance.

The Bank Act was revised effective December 1, 1980 for a period of ten years, and contains a number of new provisions which expand the operational scope of existing Canadian chartered banks permitting them, among other things, to control leasing, factoring, mortgage loan and venture capital corporations. These new provisions also provide greater flexibility in raising capital by permitting the issuance of preferred shares, convertible securities and bank debentures all of which may be denominated in currencies other than Canadian currency. The Bank Act now facilitates the formation of new banks in Canada and also the conversion of Canadian financial institutions and Canadian affiliates of foreign banks into banks.

Restraints on Bank Shares under the Bank Act

The Bank Act contains restrictions on the allotment, acquisition, holding and voting of all shares of a bank. By way of summary, these restrictions do not allow existing banks, including the Bank, to issue or permit the transfer of shares of any class to:

(a) a non-resident, if the total number of shares of that class held by non-residents would exceed 25% of the issued and outstanding shares of that class;

(b) any person, if the total number of shares of that class held by that person and others associated with him, exceeds or would thereby exceed 10% of the issued and outstanding shares of that class; or

(c) Her Majesty, an agent of Her Majesty, a foreign government or any agent of a foreign government.

In addition, no person is permitted to acquire, hold or beneficially own shares of a class of a bank if the total number of shares of that class held or beneficially owned by that person and others associated with him exceeds or would thereby exceed 10% of the issued and outstanding shares of that class. The restrictions on voting rights relevant to the Bank contained in the Bank Act provide that a Canadian resident holding shares of the Bank in the right of and for the use or benefit of a non-resident may not exercise the voting rights pertaining to such shares and, generally, prohibit the voting of shares of a class held by or for a person or his associates if the shares of that class held by or for that person and his associates are in excess of 10% of the issued and outstanding shares of that class.

Persons acquiring Common Shares may be required to furnish declarations relative to the foregoing in the form prescribed by the Bank.

MATERIAL EVENTS

Edgar F. Kaiser, Jr. was appointed Chairman, President and Chief Executive Officer of the Bank on September 25, 1984. Subsequent to his appointment the Bank entered into several agreements which are expected to have a material effect on the Bank's financial condition and its future operations. The intent of these agreements and transactions is to raise a substantial amount of new common share capital and, at the same time, to dispose of non-performing loans and other assets. It is expected by the Bank's management that these transactions will have a positive effect on the Bank's operating results through the reduction of its future loan loss experience and, by improvement of its capital base, of the cost of funds for future lending and investment activities.

Reference is made to the "Condensed Pro Forma Consolidated Statement of Assets and Liabilities" of the Bank for further information as to the effect on the financial statements of the Bank of the transactions contemplated in the Merger Agreement, the Asset Sale Agreement and the Bank Offering described below. See also "Dilution".

Merger with BBC Realty Investors

The Bank has entered into an agreement (the "Merger Agreement") with the Trustees on behalf of BBC Realty Investors (the "Trust") dated October 29, 1984 which provides for the Bank to subscribe for 2,445,713 Class B Trust Units for $14,674,278 and for the Bank to issue 2,445,713 Common Shares to the Trust for $14,674,278, subject to certain conditions being met including approval by the Unitholders of the Trust of the Merger Agreement and by the shareholders of the Bank and the Minister of Finance of capital changes required to effect this transaction. If these approvals are given, Unitholders of the Trust other than the Bank will have their Trust units reclassified as Class A Trust Units which will be redeemable for Common Shares of the Bank. Redemption of the Class A Trust Units will be effected immediately after the issue of the Common Shares of the Bank to the Trust. As a result of these steps, the Bank will hold all outstanding units in the Trust and intends to proceed with a winding up of the Trust and the distribution of its assets to the Bank. In furtherance of the Bank's intention to minimize its holdings of non-performing

and other problem loans, the Bank intends to review the Trust's mortgage portfolio and to dispose as soon as practicable of certain of the Trust's investments for the maximum amount realizable. It is anticipated that the proceeds realized by the Bank in these circumstances will be less than the value at which these investments are recorded in the Trust's financial statements. The Bank will assume all expenses in connection with the transactions contemplated in the Merger Agreement.

Asset Sale

On October 29, 1984 the Board of Directors of the Bank approved an arms-length agreement (the "Asset Sale Agreement") for the sale by the Bank of a portion of its loan portfolio and certain security acquired by the Bank to Ormskirk Investments Ltd. ("Ormskirk") of Calgary, Alberta, subject to usual closing conditions and to financing being arranged by Ormskirk. The assets being sold are recorded in the accounts of the Bank at approximately $106.9 million and generally consist of non-performing and other problem loans secured by real estate. The sale price of these assets will be approximately $63.1 million, subject to closing adjustments. This will result in a net charge to appropriations for contingencies of approximately $34.5 million and a reduction in the Bank's net income before provision for income taxes of approximately $9.6 million and in its net income of approximately $4.8 million in fiscal 1984.

The Bank will provide financing for a portion of the purchase price on the security of the assets being sold and on terms and conditions that are in the ordinary course of business. The Bank has also issued a commitment to lend (U.S.)$10 million to affiliates of Ormskirk on the security of certain properties in Los Angeles, California and is entitled to apply a portion of the proceeds of this loan to Ormskirk's requirements for financing this purchase. The Bank will also have, until at least June, 1986, a right to acquire an equity interest of up to 35% in Ormskirk so as to allow the Bank to participate in any increase in the value of the assets being sold. Completion of this sale is expected to occur on or prior to October 31, 1984.

This sale will result in the elimination of a major portion of the Bank's non-performing loans. Virtually all of the Bank's specific provisions for losses are related to non-performing loans. As a result of this significant reduction in its non-performing loan portfolio, the Bank intends to provide for future loan losses based on the historical relationship of loan loss experience to eligible loans.

Bank Offering of Common Shares

On October 29, 1984 the Board of Directors of the Bank approved the issue and sale (the "Bank Offering") of a minimum of 8,000,000 Common Shares and a maximum of 12,000,000 Common Shares at a price of $6.00 per Common Share. The sale of the Common Shares pursuant to the Bank Offering is being negotiated between the Bank and the purchasers and is open for subscriptions until October 31, 1984. At the date of this prospectus the Bank has received subscriptions or indications of intent to purchase from prospective purchasers of an aggregate of 9,050,000 Common Shares. Each purchaser pursuant to the Bank Offering must subscribe for shares with a minimum acquisition cost of $97,000. The Bank Offering is a distribution which is not exempt from prospectus requirements under the Bank Act (Canada) and is accordingly qualified in accordance with the requirements of the Bank Act (Canada) by this prospectus. The shares will not be qualified for distribution to the public under applicable provincial securities legislation and accordingly will be subject to restrictions on resale. The Bank Offering is also subject to the approvals of the Toronto, Alberta and Vancouver stock exchanges. Completion of the Bank Offering is expected to occur on November 22, 1984 following the approval by the shareholders of the Bank of a change in the authorized capital of the Bank. See "Special General Meeting" below.

Public Issue of Common Shares

The Board of Directors of the Bank anticipate that, subject to market conditions and regulatory approvals, the Bank will also make a public offering of Common Shares to raise additional capital within the next three months to further strengthen the capital base of the Bank. The Bank has indicated its intention to offer additional Common Shares to its Common Shareholders of record as of November 7, 1984 at a price of $6.00 per share on a pro-rata basis, expected to be approximately three shares for each Common Share held. The size of the public offering will permit such shareholders to purchase more shares if desired. It is not possible to predict at this time any other terms with respect to this proposed offering

Special General Meeting

In order to effect the foregoing transactions as contemplated, the Bank will be required to change its authorized Common Share capital. A special general meeting of holders of Common Shares has been called to be held on November 21, 1984 to approve the removal of the limitation on the number of Common Shares

which may be issued by the Bank and the increase in the aggregate consideration for which the Common Shares may be issued from $250,000,000 to $500,000,000. The resolution to authorize this change requires an affirmative vote of two-thirds of the votes cast at the meeting. The approval of the Minister of Finance is also required for the change of authorized capital.

In the view of the Board of Directors of the Bank, if the change in the authorized capital is not approved and the Bank is not able to expand its capital base through the issuance of Common Shares in the transactions described above, a consequence of the Asset Sale Agreement will be to impair the Bank's ability to carry on profitable operations. In addition the resulting ratio of capital to assets would be significantly below what the Inspector General of Banks generally regards as acceptable. The proposed issues of shares described above are necessary, in the view of the Directors, if the Bank is to be provided immediately with an adequate capital base to operate profitably.

Four of the Bank's larger institutional shareholders holding in the aggregate 1,368,000 Common Shares representing 26% of the issued Common Shares have indicated their intention to vote in favour of the special resolution authorizing the change in capital.

DILUTION

After giving effect to the transactions contemplated in the Merger Agreement, the Asset Sale Agreement and the Bank Offering described under "Material Events", the book value per Common Share as at September 30, 1984 will be reduced from $17.29 per Common Share to $7.21 per Common Share if the minimum of 8,000,000 Common Shares are issued pursuant to the Bank Offering or to $6.97 per Common Share if the maximum of 12,000,000 Common Shares are issued pursuant to the Bank Offering.

SUBORDINATED DEBT, CAPITAL AND RESERVES OF THE BANK

(in thousands of dollars)

	Authorized	July 31, 1984	September 30, 1984	September 30, 1984 after giving effect to certain transactions (3)
		Outstanding as at		
		(unaudited)		
Bank Debentures (1)				
7½% sinking fund debentures maturing November, 1991	$ 5,000	$ 348	$ 348	$ 348
9¾% debentures maturing September, 1985	3,000	3,000	3,000	3,000
10¼% debentures, redeemable at Bank's option on or after May 15, 1984 until maturity in May, 1989	10,000	10,000	10,000	10,000
		13,348	13,348	13,348
Capital and Reserves				
Appropriations for Contingencies (2)				
Tax-allowable		(16,965)	(16,965)	(51,515)
Tax-paid		17,154	17,154	17,154
Total Appropriations for Contingencies		189	189	(34,361)
Shareholders' Equity				
Capital Stock:				
Preferred Shares without nominal or par value, issuable in series	$75,000 (3,000,000 shs.)			
$2.28 cumulative redeemable preferred shares, Series A		17,802 (712,100 shs.)	17,778 (711,100 shs.)	17,778 (711,100 shs.)
$2.22 cumulative redeemable preferred shares, Series B		20,000 (800,000 shs.)	20,000 (800,000 shs.)	20,000 (800,000 shs.)
Common Shares without nominal or par value	$250,000 (10,000,000 shs.)	72,225 (5,169,526 shs.)	72,225 (5,169,526 shs.)	134,899 (15,615,239 shs.)
Retained Earnings		17,755	16,964	12,139
Total Shareholders' Equity		127,782	126,967	184,816
Total Subordinated Debt, Capital and Reserves		$141,319	$140,504	$163,803

(1) The debentures are unsecured, rank equally and are subordinated to the claims of depositors and other creditors.

(2) Reference is made to Note 1(f) to the Consolidated Financial Statements.

(3) After giving effect to the Merger Agreement, the Asset Sale Agreement and the Bank Offering (assuming the issuance of 8,000,000 Common Shares for aggregate proceeds of $48,000,000) referred to under "Material Events".

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Bank consists of 10,000,000 common shares (the "Common Shares") without nominal or par value, issuable for an aggregate consideration not exceeding $250,000,000, of which 5,169,526 Common Shares are issued and outstanding representing an aggregate issue price of $72,225,000 and 3,000,000 preferred shares (the "Preferred Shares") without nominal or par value, issuable in series for an aggregate consideration not exceeding $75,000,000. As at September 30, 1984 there were issued and outstanding 711,100 $2.28 Cumulative Redeemable Preferred Shares, Series A (the "Series A Preferred Shares") representing an aggregate issue price of $17,778,000 and 800,000 $2.22 Cumulative Redeemable Preferred Shares Series B (the "Series B Preferred Shares") representing an aggregate issue price of $20,000,000. See "Material Events" regarding proposed changes to the Bank's authorized and issued share capital.

The following is a summary of the material provisions attaching to the Common Shares and the Preferred Shares of the Bank and is qualified in its entirety by reference to the full text of the rights, privileges, restrictions and conditions of the said shares, which may be inspected at the head office of the Bank during normal business hours.

Common Shares

Subject to the rights, privileges, restrictions and conditions attaching to the Preferred Shares and in addition subject to the rights, privileges, restrictions and conditions contained in the Bank Act, the holders of the Common Shares are entitled:

(a) to vote at all meetings of shareholders except meetings at which only holders of a specified series of Preferred Shares are entitled to vote;

(b) to receive any dividend thereon as and when declared by the Directors of the Bank; and

(c) in the event of liquidation, dissolution or winding-up of the Bank, to receive the remaining property of the Bank after satisfaction of all creditors and any senior class of equity.

Preferred Shares

The following summarizes the material provisions applicable to the Preferred Shares as a class.

Issuable in Series

The Preferred Shares may be issued from time to time in one or more series, each series consisting of such number of Preferred Shares and having attached thereto such designation, rights, privileges, restrictions and conditions as may be fixed by the Directors of the Bank in their sole discretion.

Ranking of Preferred Shares

The shares of each series of Preferred Shares shall, with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Bank, rank equally with the shares of every other series of Preferred Shares and be entitled to preference over the Common Shares and the shares of any other class of shares of the Bank ranking junior to the Preferred Shares.

Voting Rights

Subject to the provisions of the Bank Act and except as otherwise expressly provided in the rights, privileges, restrictions and conditions attaching to the Preferred Shares or any series thereof, the holders of Preferred Shares do not, as such, have any voting rights for the election of Directors of the Bank or for any other purpose, nor are they entitled to receive any notice of or attend shareholders' meetings save and except meetings of shareholders called for the purpose of authorizing the dissolution of the Bank or the sale of its undertaking or a substantial part thereof or unless the Bank shall fail to pay eight quarterly dividends whether consecutive or not on the Series A Preferred Shares or the Series B Preferred Shares in which case the holders of such shares will be entitled to one vote for each such share held at all meetings of shareholders.

Creation and Issue of Shares

Pursuant to the Bank Act, the Bank may not, without the approval of the holders of a given class, create any other class of shares ranking equal or prior to the given class. The Bank shall not, without the prior approval of the holders of Preferred Shares as a class (and subject always to such approval as may be required by the Bank Act or any other applicable law):

(a) create or issue any shares ranking in priority to the Preferred Shares; or

(b) create or issue any additional series of Preferred Shares or any shares ranking equal to the Preferred Shares unless all cumulative dividends shall have been declared and paid or set apart for payment in respect of each series of cumulative Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative Preferred Shares then issued and outstanding.

Modification

Approval of amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class and any other approval required to be given by the holders of Preferred Shares may be given by a resolution carried by an affirmative vote of not less than two-thirds of the votes cast at a meeting at which the holders of not less than ten percent of the outstanding Preferred Shares are present or represented by proxy.

Dividends

The holders of Series A Preferred Shares and Series B Preferred Shares are entitled respectively, to receive out of monies of the Bank properly applicable to, and as and when declared by the Directors of the Bank, fixed, cumulative, preferential cash dividends at the rate of $2.28 per Series A Preferred Share per annum and at the rate of $2.22 per Series B Preferred Share per annum. Such dividends are cumulative from the date of issue of said shares and are payable quarterly.

Purchase for Cancellation

Subject to the provisions of the Bank Act and, in particular, the prior approval of the Inspector General of Banks, the Bank may at any time or times purchase for cancellation outstanding Series A Preferred Shares or Series B Preferred Shares at prices not exceeding the then applicable price per share described in the rights, privileges, restrictions and conditions attaching to the Preferred Shares purchased plus accrued and unpaid dividends.

Redemption

The Series A Preferred Shares and the Series B Preferred Shares are not redeemable prior to October 30, 1984 and July 1, 1988 respectively. Thereafter, subject to the provisions of the Bank Act and, in particular, to the prior approval of the Inspector General of Banks, the Bank may redeem preferred shares in whole or in part in accordance with the rights, privileges, restrictions and conditions attaching to the series of Preferred Shares being redeemed.

Restrictions on Dividends and Retirement of Shares

Dividends may not be declared on any shares ranking junior to the Preferred Shares, nor may such shares be redeemed or purchased, nor may less than all of the Series A Preferred Shares or Series B Preferred Shares be redeemed unless all quarterly dividends shall have been declared or paid or set apart for payment in respect of each Series of Preferred Shares.

Purchase Obligation

Subject to provisions of the Bank Act, the Bank is obligated to use all reasonable efforts to purchase in the market in each calendar quarter 6,000 Series A Preferred Shares at prices not exceeding $25.00 per share plus costs of purchase. Commencing July 1, 1988, the Bank is obligated to use all reasonable efforts to purchase in the market in each calendar quarter 6,000 Series B Preferred Shares and commencing July 1, 1995 to purchase in each calendar quarter 0.75% of the number of Series B Preferred Shares outstanding on June 30, 1995, all said purchases at prices not exceeding $25.00 per share plus costs of purchase.

Series B Preferred Shares Retraction Privilege

The holders of Series B Preferred Shares will have the right on June 1, 1995 to require the Bank to redeem all or a part of their Series B Preferred Shares at the price of $25.00 per share plus all accrued and

unpaid dividends. The ability to exercise the retraction privilege is subject to specific restrictions under the Bank Act.

Rights on Liquidation

In the event of the liquidation, dissolution, or winding-up of the Bank, the holders of the Preferred Shares shall be entitled to receive $25.00 per share together with all accrued and unpaid cumulative dividends thereon to the date of payment before any amount shall be paid or any assets of the Bank shall be distributed to the holders of any shares ranking junior to the Preferred Shares. Upon payment to the holders of the Preferred Shares of the amounts so payable to them, they shall not be entitled to any share in any further distribution of the assets of the Bank.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares of the Bank are listed and traded on the Toronto, Alberta, and Vancouver stock exchanges. The following table sets forth the closing price range and volume of the Common Shares on The Toronto Stock Exchange for the periods indicated:

		Closing Price Range		
Period		High	Low	Volume
1982	Fourth quarter	$19	$14¼	154,957
1983	First quarter	20¾	16⅝	128,660
	Second quarter	21½	18	651,778
	Third quarter	19	16	521,275
	Fourth quarter	16	13⅞	522,449
1984	First quarter	16½	12⅞	496,765
	Second quarter	13¾	9	436,145
	July	9⅞	8¼	56,268
	August	8¾	7¾	52,151
	September	10⅝	8	119,533
	October 1 to October 26	10½	8	84,777

The reported closing sale price for the Common Shares on The Toronto Stock Exchange on October 26, 1984 was $8½.

DIVIDEND RECORD

The dividends paid on the Common Shares, the Series A Preferred Shares and the Series B Preferred Shares of the Bank in respect of the nine months ended July 31, 1984 and 1983 and the past five fiscal years are shown in the following table:

	Nine months ended July 31		Years ended October 31				
	1984	1983	1983	1982	1981	1980	1979
Dividends paid per Common Share (1)..........	$0.36	$0.54	$0.72	$0.72	$0.64	$0.56	$0.50
Dividends paid per Series A Preferred Share (2) .	$1.71	$1.71	$2.28	$2.28	$2.28	$1.243	—
per Series B Preferred Share (3).	$1.67	—	$0.68	—	—	—	—

(1) After giving effect to the two for one subdivision on March 15, 1982.

(2) Prior to June, 1981 these dividends were paid by BBC Mortgage Ltd. See Note 2 to the Consolidated Financial Statements.

(3) The Series B Preferred Shares were issued on May 12, 1983 and the first dividend was paid on September 1, 1983.

During its first two quarters of fiscal 1984, the Bank paid dividends on its Common Shares totalling $0.36 per Common Share in respect of operations during its fourth quarter of fiscal 1983 and its first quarter of fiscal 1984. Because of prevailing economic conditions, the Board of Directors of the Bank decided not to pay a dividend to holders of Common Shares in respect of operations during its second and third quarters of fiscal 1984. The Board has indicated its intention to review the payment of Common Share dividends on a quarterly basis.

APPLICATION OF PROCEEDS

The proceeds to the Bank from the sale of the Common Shares pursuant to the Bank Offering amounting to a minimum of $48,000,000 and a maximum of $72,000,000 will be added to the general funds of the Bank, to be utilized for its general banking purposes. The proceeds from the issue of the Common Shares to the Trust of $14,674,278 will be exactly offset by the $14,674,278 to be expended by the Bank to purchase 2,445,713 Class B Trust Units contemplated in the Merger Agreement as described under "Material Events". The estimated expenses of the issues of Common Shares pursuant to the Merger Agreement and the Bank Offering amounting to approximately $400,000 are to be paid out of the Bank's general corporate funds. These issues will permit the Bank to enlarge its capital base and to maintain a ratio of capital to assets acceptable to the Inspector General of Banks.

DIRECTORS AND SENIOR OFFICERS

Board of Directors

Name and Municipality of Residence	Principal Occupation	Position or Office Held with the Bank
Edgar Fosburgh Kaiser, Jr. (1) Vancouver, B.C.	Chairman, President & Chief Executive Officer of the Bank	Chairman, President & Chief Executive Officer
Arthur Fouks, Q.C. (1) Vancouver, B.C.	Associate Counsel Ray, Connell, Lightbody, Reynolds & Heller (Barristers & Solicitors)	Board Vice-President
Arthur Hoadley Mitchell (1) Edmonton, Alberta	President Mitchell & Associates Ltd. (Oil & Gas Consultants)	Board Vice-President
Russell James Bennett Kelowna, B.C.	President M.W. Stores Ltd. (Merchants)	Director
Arthur John Block (1) Vancouver, B.C.	President A.R. Holdings Ltd. (Investments)	Director
Harry Booth (2) Calgary, Alberta	Chairman & Chief Executive Officer Alberta & Southern Gas Co. Ltd., Alberta Natural Gas Company Ltd. (Natural Gas Distribution)	Director
Thomas Allan Buell (1) Vancouver, B.C.	Chairman, President & Chief Executive Officer Weldwood of Canada Ltd. (Forest Products)	Director
Donald McGillivray Clark, Q.C. Vancouver, B.C.	Senior Partner Clark, Wilson (Barristers & Solicitors)	Director
The Honourable Thomas Anthony Dohm, Q.C. (1) Vancouver, B.C.	Senior Partner Dohm & Jaffer (Barristers & Solicitors)	Director

Name and Municipality of Residence	Principal Occupation	Position or Office Held with the Bank
Alfred William Everett (2) Vancouver, B.C.	Chairman Dominion Vancouver Motors Limited (Automobile Dealers)	Director
Albert Earl Hall Vancouver, B.C.	Adviser to the Bank	Director
Robert Edward Kadlec West Vancouver, B.C.	President & Chief Executive Officer Inland Natural Gas Co. Ltd. (Natural Gas Distribution)	Director
John Custance Kerr (2) Vancouver, B.C.	President Lignum Ltd. (Forest Products)	Director
Beverley Kathleen Lecky Vancouver, B.C.	President Hosmer Holdings Ltd. (Investments)	Director
George Buchan McIntosh, Q.C. Vancouver, B.C.	Senior Partner Lawson, Lundell, Lawson & McIntosh (Barristers & Solicitors)	Director
John Wallace Madill (1) Calgary, Alberta	Chief Executive Officer Alberta Wheat Pool	Director
Bryan Joseph Reynolds (2) Vancouver, B.C.	Partner Lawrence & Shaw (Barristers & Solicitors)	Director
Peter Paul Saunders (1) Vancouver, B.C.	Chairman & President Versatile Corporation (Equipment, Manufacturing Shipyard & Energy)	Director
John Lewis Schlosser (1) Edmonton, Alberta	President Tri-Jay Investments Ltd. (Investments)	Director
James Bruce Smith Kelowna, B.C.	President Okanagan Holdings Ltd. (Real Estate)	Director

(1) Member of the Executive Committee.
(2) Member of the Audit Committee.

All the directors have been engaged for the past five years in their present principal occupations or in other capacities with the same corporations or firms except Mr. Edgar F. Kaiser, Jr. who prior to September, 1984 was President of Kaiser Resources Ltd. and prior to October, 1980 was Chairman and Chief Executive Officer of a separate company then called Kaiser Resources Ltd. (now Westar Mining Ltd.); Mr. Arthur J. Block who prior to September, 1984 was President of Block Bros. Industries Ltd.; and Mr. Bryan J. Reynolds who prior to November, 1983 was a private investor and prior to June, 1980 was President and Chief Executive Officer of Bethlehem Copper Corporation.

Certain Senior Officers

Name and Municipality of Residence	Office Held
Edgar Fosburgh Kaiser, Jr. Vancouver, B.C.	Chairman, President & Chief Executive Officer
Victor Dobb Vancouver, B.C.	Executive Vice-President
Gordon Ronald Wallace West Vancouver, B.C.	Executive Vice-President
Henry John Bow North Vancouver, B.C.	Senior Vice-President International Banking
Helmut Curt Hartmann North Vancouver, B.C.	Senior Vice-President Corporate Banking
Einar Nathanael Myrholm Edmonton, Alberta	Senior Vice-President & Manager Edmonton Main Branch
Arnold Ernest Miles-Pickup West Vancouver, B.C.	Senior Vice-President Investments
John Alfred Thomas North Vancouver, B.C.	Senior Vice-President & Controller
Owen Grant West West Vancouver, B.C.	Senior Vice-President Corporate Services
Michael Joseph Humjan North Vancouver, B.C.	Assistant Vice-President & Chief Accountant
Tiit Dan Tutti North Vancouver, B.C.	General Counsel & Secretary

All of the above named officers of the Bank have been actively engaged for more than five years in the affairs of the Bank in various capacities except with respect to Mr. Edgar F. Kaiser, Jr. as disclosed above and except Mr. Helmut C. Hartmann who prior to November, 1982 held various vice-presidential positions with a major Canadian chartered bank; Mr. John A. Thomas who prior to September, 1980, was an Assistant Comptroller with a major Canadian chartered bank; Mr. O. Grant West who prior to August, 1980 was Manager, Personnel, Pacific Division, with a major Canadian chartered bank; and Mr. T. Dan Tutti who prior to May, 1984 was Group Counsel, Cominco Ltd.

Indebtedness of Directors and Senior Officers

The Bank Act empowers the Bank to make loans fully secured throughout the terms thereof on the ordinary residences of the borrowers and to lend money to each officer or employee, the maximum principal amount permitted being less than the individual's annual salary or $25,000, whichever is greater, and such loans in either case are defined as routine indebtedness under the Bank Act regulations. All the indebtedness of the senior officers and the Directors of the Bank as at July 31, 1984 was routine indebtedness as so defined.

As at July 31, 1984, the senior officers mentioned under "Directors and Senior Officers — Certain Senior Officers", were indebted to the Bank in an aggregate amount of $1,022,152 representing different loans made to them by the Bank inclusive of loans fully secured on the ordinary residences of the borrowers and other loans, each of which is less than the borrower's annual salary.

The following table sets forth details of the indebtedness owing to the Bank by five of the senior officers mentioned under "Directors and Senior Officers — Certain Senior Officers", exclusive of loans fully secured on the ordinary residences of the borrowers and other loans in an amount of $25,000 or less:

Name and Address	Largest Aggregate Amount Outstanding during the year ended October 31, 1983	Amount Outstanding as at July 31, 1984
Victor Dobb Vancouver, B.C.	$88,310	$37,588
Henry John Bow North Vancouver, B.C.	41,984	30,768
Einar Nathanael Myrholm Edmonton, Alberta	52,312	40,717
Arnold Ernest Miles-Pickup West Vancouver, B.C.	75,869	31,519
John Alfred Thomas North Vancouver, B.C.	34,043	45,811

These loans, which were made for personal purposes, bear interest at varying rates depending on the nature of the loan. Loans made for the purchase of Common Shares of the Bank bear interest at a 3% rate. Personal consumer loans bear interest at a rate equal to at least one-half of the Bank's lowest consumer loan rate with one exception which bears interest at a rate of 6%. Loans made for personal investments, other than the purchase of Common Shares of the Bank, bear interest at a rate equal to the Bank's prime lending rate.

Remuneration of Directors and Officers

The table below sets out the aggregate remuneration paid by the Bank and its wholly-owned subsidiaries during its last completed fiscal year to the directors and certain officers of the Bank.

	Nature of Remuneration		
	Aggregate Remuneration	Cost of Pension Benefits	Other (2)
Directors (20)	$ 221,480	$ —	$ —
5 Senior Officers	711,720(1)	24,500	38,230
Officers receiving over $50,000 (101) (including the 5 senior officers mentioned above)	6,884,900(1)	309,628	272,381
TOTALS	$7,818,100	$334,128	$310,611

(1) Includes salaries and bonuses only.
(2) Includes taxable benefits.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

1. On January 5, 1982 the Bank entered into an agency agreement with Dominion Securities Ames Limited, Pemberton Securities Limited, Wood Gundy Limited and Odlum Brown Limited under which these companies agreed to assist the Bank in an offer to its shareholders of 297,823 Common Shares at a price of $41.00 per share and under which the Bank agreed, among other things, to pay fees for services rendered in connection with the offer and the procuration of subscriptions for shares. The total fees paid amounted to $164,836. Mr. W.T. Brown of Vancouver, British Columbia was a director of the Bank and was Chairman, a director and a shareholder of Odlum Brown Limited at that time. The Common Shares were subdivided two for one on March 15, 1982.
2. Edgar F. Kaiser, Jr. of Vancouver, British Columbia, the Chairman, President and Chief Executive Officer of the Bank and Peter Paul Saunders of Vancouver, British Columbia, a Director of the Bank have agreed to purchase, directly or indirectly, 1,000,000 and 200,000 Common Shares, respectively, at a price of $6.00 per Common Share pursuant to the Bank Offering referred to under "Material Events". In addition, Bryan J. Reynolds, a Director of the Bank, has a beneficial interest in two investment accounts which are managed by one of the purchasers in the Bank Offering and these accounts will be allocated a portion of the 916,800 Common Shares being subscribed for by this purchaser.

PRINCIPAL HOLDERS OF SECURITIES

As at September 30, 1984 there are no persons who, to the knowledge of the Bank, owned of record or beneficially, directly or indirectly, more than 10% of any class of securities of the Bank.

As at September 30, 1984, the directors and senior officers of the Bank, as a group owned of record or beneficially, directly or indirectly, less than 3% of the voting securities of the Bank.

ELIGIBILITY FOR INVESTMENT

The opinion of Clark, Wilson will be to the effect that the Common Shares at the date of delivery will be eligible investments, without resort to the so-called "basket" provisions, but subject to the general investment conditions or restrictions applying to certain purchasers:

(a) for insurance companies registered under the Canadian and British Insurance Companies Act (Canada);

(b) for loan companies regulated under the Loan Companies Act (Canada), and trust companies regulated under the Trust Companies Act (Canada); and

(c) for pension funds registered under the Pension Benefits Standards Act (Canada).

The opinion of such counsel will be to the effect that the Common Shares at the date of delivery will also qualify as eligible investments for registered retirement savings plans, for deferred profit sharing plans, for registered retirement income funds and for registered home ownership savings plans under the Income Tax Act (Canada).

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Bank during the past two years are the following:

1. An underwriting agreement with Dominion Securities Ames Limited, Pemberton Houston Willoughby Incorporated, Wood Gundy Limited and Odlum Brown Limited (the "Underwriters") dated April 26, 1983 under which the Bank agreed to sell and the Underwriters agreed to purchase 800,000 Series B Preferred Shares for an aggregate purchase price of $20,000,000.

2. A share purchase agreement with the Underwriters dated August 4, 1983 under which the Bank agreed to sell and the Underwriters agreed to purchase 1,000,000 Common Shares for an aggregate purchase price of $17,000,000.

3. The Merger Agreement referred to under "Material Events".

4. The Asset Sale Agreement referred to under "Material Events".

5. The agreements comprising the Bank Offering referred to under "Material Events".

Copies of these contracts may be inspected at the head office of the Bank until the completion of the Merger Agreement and the Bank Offering.

LEGAL MATTERS

An action was commenced by a partnership, Petrochem Electric, in the Supreme Court of Alberta in April, 1978, claiming up to $4.5 million in damages. The claim is based on alleged mismanagement of the partnership by agents of the Bank. In the opinion of Messrs. Field & Field, Alberta counsel for the Bank, the claim is unfounded as to the facts and law and the claim is unlikely to succeed in whole or in part.

An action was commenced by Edith M. McCracken and Lawrence A. Elliott in the Supreme Court of British Columbia in July, 1984, claiming special damages of $8,785,410, interest thereon and other damages. The claim arises from the receivership of Farwest Cedar Fencing Ltd. and the plaintiffs allege unlawful acts on the part of the Bank, the receiver-manager, and the Federal Business Development Bank. Clark, Wilson, counsel for the Bank have advised that based upon the information presently available to them, the claim is unlikely to succeed, and that the damages claimed are excessive.

The matters referred to under "Eligibility for Investment" and "Canadian Income Tax Considerations" will be passed upon for the Bank by Messrs. Clark, Wilson.

As at October 29, 1984, the partners of Clark, Wilson owned, directly or indirectly, 2,726 Common Shares of the Bank and 2,175 Units of the Trust. Mr. Donald McGillivray Clark, Q.C., a partner of Clark, Wilson is a Director of the Bank and a Trustee of the Trust.

CANADIAN INCOME TAX CONSIDERATIONS

Clark, Wilson, counsel to the Bank, is of the opinion that the following is a fair and adequate summary of the principal income tax considerations under the laws of Canada as of the date of this Prospectus. The comments in this summary are restricted to the case of a Unitholder who is resident in Canada for the purposes of the Income Tax Act (Canada) (the "Act") and who holds Trust Units as capital property, and do not take into account tax laws of a Province or territory or of any jurisdiction outside Canada.

As this summary is not exhaustive, and tax liability will depend on the circumstances of a particular Unitholder, each Unitholder should obtain specific tax advice from his own legal or accounting advisers.

Disposition of Trust Units

The making of the proposed amendments to the Declaration of Trust dated as of November 7, 1972, as amended pursuant to which the Trust was established, should not effect a disposition of existing Trust Units and an acquisition of new units by Unitholders. However, if the making of such amendments are considered by Revenue Canada to effect such a disposition, the tax consequences for Unitholders who subsequently receive Common Shares on redemption of their Class A Trust Units would not be materially different from those described below.

Upon the redemption of the Class A Trust Units, a Unitholder will be considered to have disposed of such units for proceeds of disposition equal to the then fair market value of the Common Shares received. The amount by which such proceeds exceed or are less than the adjusted cost base of the Class A Trust Units to the Unitholder at the time of redemption will be a capital gain or a capital loss of the Unitholder. One-half of any gain is included in the income of the Unitholder but may qualify for the $1,000 Canadian interest, dividend and capital gains deduction available to individuals, and one-half of any loss may be deducted from the taxable half of other capital gains or, to a limited extent, from ordinary income of individual Unitholders. Common Shares received by a Unitholder on redemption of Class A Trust Units will have a cost to the Unitholder equal to the fair market value of the Common Shares at that time.

Dividends on Common Shares

Dividends on the Common Shares will be subject to the normal gross-up and credit rules when received by an individual, and will be deductible in computing the taxable income of corporations. Private corporations (as defined in the Act), and certain other corporations, may be liable to the 25% refundable tax imposed by Part IV of the Act. Dividends on the Common Shares will qualify for the $1,000 Canadian interest, dividend and capital gains deduction available to individuals.

AUDITORS

The Bank Act requires shareholders of the Bank to appoint at each annual general meeting two firms of qualified accountants to act as auditors of the Bank until the next annual general meeting at which time shareholders may reappoint the same firms for one further term of office; however, if, and when, the same two firms have served for two consecutive terms of office then one of such firms cannot be reappointed for at least two years next following the term during which such firm was last appointed. At the annual general meeting on January 10, 1984 the shareholders appointed Deloitte Haskins & Sells, 2000-1055 Dunsmuir Street, Vancouver, British Columbia and Peat, Marwick, Mitchell & Co., 2400-1055 West Georgia Street, Vancouver, British Columbia as auditors of the Bank. Prior to January 10, 1984, one of the two auditors of the Bank was Thorne Riddell, 2400-1177 West Hastings Street, Vancouver, British Columbia. Two of these three firms were auditors of and reported to the shareholders of the Bank on the consolidated financial statements of the Bank for each of the years in the five year period ended October 31, 1983.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Common Shares and the Series B Preferred Shares is The Canada Trust Company at its principal offices in Vancouver, Calgary and Toronto. The registrar and transfer agent for the Series A Preferred Shares is the Montreal Trust Company at its principal offices in Vancouver, Edmonton and Toronto.

COMPILATION REPORT

To the Directors of Bank of British Columbia

We have reviewed, as to compilation only, the accompanying Condensed Pro Forma Consolidated Statement of Assets and Liabilities of Bank of British Columbia as at September 30, 1984 which has been prepared to show the effect of the Merger Agreement, Asset Sale Agreement and Bank Offering as disclosed in the Notes thereto. This Condensed Pro Forma Statement is based on the unaudited Consolidated Statement of Assets and Liabilities of Bank of British Columbia and the unaudited Consolidated Balance Sheet of BBC Realty Investors as at September 30, 1984. In our opinion, this Condensed Pro Forma Statement has been properly compiled to give effect to the transactions and assumptions described in the Notes thereto.

(Signed) Deloitte Haskins & Sells
Chartered Accountants

(Signed) Peat, Marwick, Mitchell & Co.
Chartered Accountants

Vancouver, Canada
October 29, 1984

Bank of British Columbia

Condensed Pro Forma Consolidated Statement of Assets and Liabilities

(in thousands of dollars)

	September 30 1984 (unaudited)	Pro Forma September 30 1984 (unaudited)
Assets		
Cash resources	$ 217,272	$ 264,710
Securities	204,002	198,162
Loans	2,530,092	2,575,478
Other	147,128	172,950
	$3,098,494	$3,211,300
Liabilities		
Deposits	$2,863,610	$2,950,090
Other	94,380	97,407
Subordinated debt	13,348	13,348
Capital and reserves:		
Appropriations for contingencies	189	(34,361)
Shareholders' equity:		
Capital stock:		
$2.28 cumulative redeemable preferred shares, Series A	17,778	17,778
$2.22 cumulative redeemable preferred shares, Series B	20,000	20,000
Common shares	72,225	134,899
Retained earnings	16,964	12,139
	127,156	150,455
	$3,098,494	$3,211,300

See notes to condensed pro forma consolidated statement of assets and liabilities.

Bank of British Columbia

Notes to Condensed Pro Forma Consolidated Statement of Assets and Liabilities

September 30, 1984
(unaudited)

The Condensed Pro Forma Consolidated Statement of Assets and Liabilities has been prepared in accordance with the significant accounting policies as described in Note 1 to the Consolidated Financial Statements of the Bank and gives effect to the following transactions and assumptions as if they had occurred on September 30, 1984:

1. The entry by the Bank into the following transactions and agreements:

   (a) The Bank has entered into an agreement (the "Merger Agreement") with the Trustees on behalf of BBC Realty Investors (the "Trust") dated October 29, 1984 which provides for the Bank to subscribe for 2,445,713 units for $14,674,278 and for the Bank to issue 2,445,713 common shares to the Trust for $14,674,278, subject to certain conditions being met including approval by the Unitholders of the Trust of the Merger Agreement and by the shareholders of the Bank and the Minister of Finance of capital changes required to effect this transaction. If these approvals are given, Unitholders of the Trust other than the Bank will ultimately have their units redeemed for common shares of the Bank. As a result of these steps, the Bank will hold all outstanding units in the Trust and intends to proceed with a winding-up of the Trust and the distribution of its assets to the Bank. The Bank will assume all expenses in connection with the transactions contemplated in the Merger Agreement.

   (b) On October 29, 1984 the Board of Directors of the Bank approved an arms-length agreement (the "Asset Sale Agreement") for the sale by the Bank of a portion of its loan portfolio and certain security acquired by the Bank to Ormskirk Investments Ltd. ("Ormskirk"), subject to usual closing conditions and to financing being arranged by Ormskirk. The assets being sold are recorded in the accounts of the Bank at approximately $106.9 million and generally consist of non-performing and other problem loans secured by real estate. The sale price of these assets will be approximately $63.1 million, subject to closing adjustments. This will result in a net charge to appropriations for contingencies of approximately $34.5 million and a reduction in the Bank's net income before provision for income taxes of approximately $9.6 million and in its net income of approximately $4.8 million in the year ending October 31, 1984.

   The Bank will provide financing for a portion of the purchase price on the security of the assets being sold and on terms and conditions that are in the ordinary course of business. The Bank has also issued a commitment to lend (U.S.) $10 million to affiliates of Ormskirk on the security of certain properties in Los Angeles, California and is entitled to apply a portion of the proceeds of this loan to Ormskirk's requirements for financing this purchase. The Bank will also have, until at least June, 1986, a right to acquire an equity interest of up to 35% in Ormskirk so as to allow the Bank to participate in any increase in the value of the assets being sold. Completion of this sale is expected to occur on or prior to October 31, 1984.

   (c) On October 29, 1984 the Board of Directors of the Bank approved the issue and sale (the "Bank Offering") of a minimum of 8,000,000 common shares and a maximum of 12,000,000 common shares at a price of $6.00 per common share. The sale of the common shares pursuant to the Bank Offering is being negotiated between the Bank and the purchasers and is open for subscriptions until October 31, 1984. The Bank Offering is subject to the approval of the Toronto, Alberta and Vancouver stock exchanges. Completion of the Bank Offering is expected to occur on November 22, 1984 following the approval by the shareholders of the Bank of a change in the authorized capital of the Bank.

2. The issue by the Bank of 8,000,000 common shares under the Bank Offering for aggregate proceeds of $48,000,000 and payment of issue expenses of $25,000, after income taxes.

3. The winding-up of the Trust and distribution of its assets and liabilities to the Bank as follows:

Assets acquired, at fair value:		
Cash resources		$ 138,000
Loans		85,585,000
Other		20,997,000
		106,720,000
Liabilities assumed:		
Deposits	$ 86,480,000	
Other	3,026,000	89,506,000
Net assets acquired		$ 17,214,000

4. The payment by the Bank of expenses incurred in connection with the Merger Agreement and the winding-up of the Trust of $400,000.

5. The completion of the Asset Sale Agreement, including the financing by the Bank of $53.1 million of the purchase price, the payment by the Bank of expenses in connection therewith of $250,000 and the loan by the Bank of (U.S.) $10 million.

AUDITORS' REPORT

To the Directors of Bank of British Columbia

We have examined the Consolidated Statement of Assets and Liabilities of Bank of British Columbia as at October 31, 1983 and October 31, 1982 and the Consolidated Statements of Income, Appropriations for Contingencies, Changes in Shareholders' Equity and Changes in Financial Position for each of the years in the five year period ended October 31, 1983. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1983 and October 31, 1982 and the results of its operations and the changes in its financial position for each of the years in the five year period ended October 31, 1983 in accordance with accounting principles prescribed by the Bank Act of 1980 applied, after giving retroactive effect to the accounting and reporting changes required by the Act, on a consistent basis.

Chartered Accountants
As to the years ended
October 31, 1979, 1980
and 1981

Chartered Accountants
As to the years ended
October 31, 1979, 1982
and 1983

Chartered Accountants
As to the years ended
October 31, 1980, 1981,
1982 and 1983

Vancouver, Canada
November 24, 1983, except as to
Note 15 which is as of
October 29, 1984

Bank of British Columbia

Consolidated Statement of Assets and Liabilities

(in thousands of dollars)

	July 31 1984 (unaudited)	July 31 1983 (unaudited)	October 31 1983	October 31 1982
Assets				
Cash resources:				
Cash and deposits with Bank of Canada	$ 21,850	$ 60,187	$ 56,620	$ 42,234
Deposits with other banks	179,552	193,030	176,113	234,697
Cheques and other items in transit, net	59,109	—	38,266	—
	260,511	253,217	270,999	276,931
Securities (Note 3):				
Issued or guaranteed by Canada	88,649	99,720	112,489	92,982
Issued or guaranteed by provinces and municipal or school corporations	4,726	5,954	993	1,069
Other securities	113,850	164,869	128,735	187,794
	207,225	270,543	242,217	281,845
Loans:				
Day, call and short loans to investment dealers and brokers, secured	—	61,000	10,000	53,998
Loans to banks	66,585	54,289	51,106	48,073
Mortgage loans	274,004	215,179	225,017	179,402
Other loans (Note 4)	2,217,168	2,104,223	2,094,358	2,303,468
	2,557,757	2,434,691	2,380,481	2,584,941
Other:				
Customers' liability under acceptances (Note 5)	65,900	53,700	74,600	29,000
Land, buildings and equipment (Note 6)	32,455	31,163	32,007	28,788
Other assets	65,596	55,645	57,467	52,551
	163,951	140,508	164,074	110,339
	$3,189,444	$3,098,959	$3,057,771	$3,254,056
Liabilities				
Deposits (Note 7):				
Payable on demand	$ 153,917	$ 145,800	$ 140,016	$ 125,922
Payable after notice	799,961	906,651	944,794	889,202
Payable on a fixed date	1,972,180	1,799,937	1,713,838	2,018,168
	2,926,058	2,852,388	2,798,648	3,033,292
Other:				
Cheques and other items in transit, net	—	15,887	—	3,309
Advances from Bank of Canada	18,000	—	—	—
Acceptances (Note 5)	65,900	53,700	74,600	29,000
Other liabilities	38,167	33,472	29,654	52,858
	122,067	103,059	104,254	85,167
Subordinated debt:				
Bank debentures (Note 8)	13,348	19,367	19,367	19,378
Capital and reserves:				
Appropriations for contingencies	189	554	3,702	15,324
Shareholders' equity:				
Capital stock (Note 9):				
$2.28 cumulative redeemable preferred shares, Series A	17,802	18,410	18,348	18,928
$2.22 cumulative redeemable preferred shares, Series B	20,000	20,000	20,000	—
Common shares	72,225	20,848	25,848	20,848
Contributed surplus	—	34,629	46,633	34,564
Retained earnings	17,755	29,704	20,971	26,555
	127,971	124,145	135,502	116,219
	$3,189,444	$3,098,959	$3,057,771	$3,254,056

See notes to consolidated financial statements.

Approved by the Directors:

(Signed) Edgar F. Kaiser, Jr.,
Chairman, President, Chief General
Manager and Chief Executive Officer

(Signed) Robert E. Kadlec,
Director

(Signed) Thomas A. Buell,
Director

Bank of British Columbia

Consolidated Statement of Income

(in thousands of dollars, except per share amounts)

	Nine months ended July 31		Years ended October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Interest and dividend income:							
Loans	$218,965	$233,582	$304,138	$416,988	$372,812	$240,012	$181,108
Lease financing	4,225	5,004	6,802	3,963	1,769	208	—
Securities	14,369	20,252	25,399	34,446	30,356	20,891	14,084
Deposits with banks	8,561	10,487	15,327	32,355	31,635	19,863	12,180
Total interest and dividend income	246,120	269,325	351,666	487,752	436,572	280,974	207,372
Interest expense:							
Deposits	180,253	190,723	245,951	400,609	350,524	216,999	155,741
Bank debentures	1,143	1,410	1,885	1,887	1,888	1,894	1,340
Liabilities other than deposits	8	14	14	35	23	10	4
Total interest expense	181,404	192,147	247,850	402,531	352,435	218,903	157,085
Net interest income	64,716	77,178	103,816	85,221	84,137	62,071	50,287
Provision for loan losses	22,085	18,720	22,703	15,347	9,515	7,225	6,035
Net interest income after loan loss provision	42,631	58,458	81,113	69,874	74,622	54,846	44,252
Other income	13,794	12,031	15,813	16,626	17,123	13,251	12,792
Net interest and other income	56,425	70,489	96,926	86,500	91,745	68,097	57,044
Non-interest expenses:							
Salaries	35,116	37,131	50,515	47,696	39,285	32,260	26,795
Pension contributions and other staff benefits	2,162	3,190	3,648	3,688	3,179	2,607	2,121
Premises and equipment expenses, including depreciation	10,545	9,886	13,091	11,441	10,157	7,629	6,380
Other expenses	11,369	13,844	16,946	19,641	16,166	14,749	13,085
Total non-interest expenses	59,192	64,051	84,200	82,466	68,787	57,245	48,381
Net income (loss) before provision for income taxes	(2,767)	6,438	12,726	4,034	22,958	10,852	8,663
Provision for income taxes (Note 10)	(4,550)	(2,588)	600	(7,700)	5,632	1,524	2,057
Net income	$ 1,783	$ 9,026	$ 12,126	$ 11,734	$ 17,326	$ 9,328	$ 6,606
Average number of common shares outstanding (Note 11)	5,169,526	4,169,526	4,358,567	3,983,692	3,471,072	3,063,326	3,029,436
Net income (loss) per common share (Note 11)	$(0.15)	$1.77	$2.20	$2.51	$4.48	$2.65	$2.18

Bank of British Columbia

Consolidated Statement of Appropriations for Contingencies

(in thousands of dollars)

	Nine months ended July 31		Years ended October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Balance at beginning of period:							
Tax-allowable	$(13,400)	$ 4,675	$ 4,675	$17,330	$13,635	$12,236	$ 8,760
Tax-paid	17,102	10,649	10,649	4,640	154	—	—
	3,702	15,324	15,324	21,970	13,789	12,236	8,760
Changes during period:							
Provision for loan losses included in the Consolidated Statement of Income	22,085	18,720	22,703	15,347	9,515	7,225	6,035
Loss experience on loans	(25,598)	(36,490)	(51,325)	(27,993)	(9,038)	(6,692)	(6,210)
Transfer from retained earnings	—	3,000	17,000	6,000	7,704	1,020	3,651
	(3,513)	(14,770)	(11,622)	(6,646)	8,181	1,553	3,476
Balance at end of period:							
Tax-allowable	(16,965)	(9,425)	(13,400)	4,675	17,330	13,635	12,236
Tax-paid	17,154	9,979	17,102	10,649	4,640	154	—
	$ 189	$ 554	$ 3,702	$15,324	$21,970	$13,789	$12,236

See notes to consolidated financial statements.

Bank of British Columbia
Consolidated Statement of Changes in Shareholders' Equity
(in thousands of dollars)

	Nine months ended July 31		Years ended October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Capital stock:							
Balance at beginning of period:							
Preferred shares, Series A	$ 18,348	$18,928	$18,928	$19,183	$19,868	$ —	$ —
Preferred shares, Series B	20,000	—	—	—	—	—	—
Common shares	25,848	20,848	20,848	17,869	15,316	15,316	14,788
	64,196	39,776	39,776	37,052	35,184	15,316	14,788
Changes during period:							
Issued — preferred shares, Series A	—	—	—	—	—	20,000	—
— preferred shares, Series B	—	20,000	20,000	—	—	—	—
— common shares	—	—	5,000	2,979	2,553	—	528
Transfer from contributed surplus	46,377	—	—	—	—	—	—
Purchased for cancellation — preferred shares, Series A	(546)	(518)	(580)	(255)	(685)	(132)	—
	45,831	19,482	24,420	2,724	1,868	19,868	528
Balance at end of period:							
Preferred shares, Series A	17,802	18,410	18,348	18,928	19,183	19,868	—
Preferred shares, Series B	20,000	20,000	20,000	—	—	—	—
Common shares	72,225	20,848	25,848	20,848	17,869	15,316	15,316
	$110,027	$59,258	$ 64,196	$39,776	$37,052	$35,184	$15,316
Contributed surplus:							
Balance at beginning of period	$ 46,633	$34,564	$ 34,564	$25,235	$19,401	$19,401	$18,343
Proceeds received in excess of the par value of common shares issued	—	—	12,000	9,232	5,744	—	1,058
Gain on preferred shares, Series A purchased for cancellation	1	65	69	97	90	—	—
Transfer to capital stock (Note 9)	(46,377)	—	—	—	—	—	—
Transfer to retained earnings (Note 9)	(257)	—	—	—	—	—	—
Balance at end of period	$ —	$34,629	$ 46,633	$34,564	$25,235	$19,401	$19,401
Retained earnings:							
Balance at beginning of period	$ 20,971	$26,555	$ 26,555	$25,599	$18,416	$12,701	$ 9,579
Net income	1,783	9,026	12,126	11,734	17,326	9,328	6,606
Expenses related to issues of common and preferred shares (net of related income taxes)	(2)	(344)	(698)	(139)	(132)	(342)	—
Dividends — preferred shares, Series A	(1,649)	(1,284)	(1,702)	(1,744)	(1,784)	(995)	—
— preferred shares, Series B	(1,776)	(541)	(541)	—	—	—	—
— common shares	(1,861)	(2,252)	(3,182)	(2,895)	(2,240)	(1,715)	(1,515)
Transfer to appropriations for contingencies	—	(3,000)	(17,000)	(6,000)	(7,704)	(1,020)	(3,651)
Income taxes related to the above transfer	—	1,544	4,999	—	2,450	527	1,831
Income taxes related to loss experience of subsidiaries	—	—	414	—	—	—	—
Transfer from contributed surplus	257	—	—	—	—	—	—
Gain on preferred shares, Series A purchased for cancellation	32	—	—	—	—	—	—
Income taxes related to gains and losses on disposal of securities	—	—	—	—	(733)	(68)	(149)
Balance at end of period	$ 17,755	$29,704	$ 20,971	$26,555	$25,599	$18,416	$12,701

See notes to consolidated financial statements.

Bank of British Columbia

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

	Nine months ended July 31		Years ended October 31				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Funds Derived From:							
Operations:							
Net income	$ 1,783	$ 9,026	$ 12,126	$ 11,734	$ 17,326	$ 9,328	$ 6,606
Items included in net income not requiring the use of funds:							
Provision for loan losses	22,085	18,720	22,703	15,347	9,515	7,225	6,035
Depreciation	2,432	2,067	2,726	2,175	1,671	987	1,206
Amortization of other assets	302	356	481	234	231	85	74
Deferred income taxes	(5,711)	(3,547)	(444)	(8,472)	5,453	1,290	1,745
Total from operations	20,891	26,622	37,592	21,018	34,196	18,915	15,666
Appropriations for contingencies:							
Tax credit related to transfers	—	1,544	5,413	—	2,450	527	1,831
	20,891	28,166	43,005	21,018	36,646	19,442	17,497
Other items:							
Decrease in:							
Cash and deposits with Bank of Canada	34,770	—	—	—	24,115	—	22,085
Deposits with other banks	—	41,667	58,584	—	—	—	13,320
Cheques and other items in transit, net	—	12,578	—	17,312	—	67,404	—
Securities	34,992	11,302	39,628	200	—	—	—
Loans	—	149,416	204,532	—	—	—	—
Financial leasing	1,641	834	—	—	—	—	—
Other assets	—	97	—	—	—	—	—
Increase in:							
Advances from Bank of Canada	18,000	—	—	—	—	—	—
Deposits	127,410	—	—	301,093	592,192	286,530	435,886
Other liabilities	8,513	—	—	—	28,154	10,407	8,198
Issue of Bank debentures	—	—	—	—	—	—	10,000
Issue of capital stock (including contributed surplus)	—	20,000	37,000	12,211	8,297	20,000	1,586
Total of other items	225,326	235,894	339,744	330,816	652,758	384,341	491,075
Total	$246,217	$264,060	$382,749	$351,834	$689,404	$403,783	$508,572
Funds Applied To:							
Appropriations for contingencies:							
Loss experience on loans	$ 25,598	$ 36,490	$ 51,325	$ 27,993	$ 9,038	$ 6,692	$ 6,210
Other items:							
Increase in:							
Cash and deposits with Bank of Canada	—	17,953	14,386	4,552	—	33,896	—
Deposits with other banks	3,439	—	—	35,258	5,938	42,842	—
Cheques and other items in transit, net	20,843	—	41,575	—	5,027	—	64,633
Securities	—	—	—	—	48,887	29,931	98,743
Loans	178,917	—	—	221,702	577,654	274,522	324,220
Financial leasing	—	—	72	26,901	11,687	5,438	—
Land, buildings and equipment	2,880	4,442	5,945	7,400	9,011	5,092	2,887
Other assets	2,720	—	4,953	3,968	16,660	2,098	10,204
Decrease in:							
Deposits	—	180,904	234,644	—	—	—	—
Other liabilities	—	19,386	23,204	19,100	—	—	—
Retirement of Bank debentures	6,019	11	11	24	18	20	11
Redemption of preferred shares	513	453	511	158	595	132	—
Share issue expenses (net of income taxes)	2	344	698	139	132	342	—
Income taxes related to gains and losses on disposal of securities	—	—	—	—	733	68	149
Dividends	5,286	4,077	5,425	4,639	4,024	2,710	1,515
Total of other items	220,619	227,570	331,424	323,841	680,366	397,091	502,362
Total	$246,217	$264,060	$382,749	$351,834	$689,404	$403,783	$508,572

See notes to consolidated financial statements.

Bank of British Columbia

Notes to Consolidated Financial Statements

(Information as at July 31, 1984 and 1983
and for the nine month periods then ended is unaudited)

1. Significant accounting policies:

The Bank Act and the rules and regulations issued thereunder by the Minister of Finance prescribe the form and content of the Bank's interim and annual financial statements, as well as most of the significant accounting policies. The significant accounting policies followed by the Bank in determining net income conform in all material respects with generally accepted accounting principles except for the accounting for losses on loans and the deferral of gains and losses on the disposal of fixed maturity debt securities held in the investment account, as required by the above mentioned rules and regulations.

As a result of the passing into law of the Bank Act of 1980, the Bank's annual financial statements for each of the years in the three year period ended October 31, 1981 (which previously had been prepared under the Bank Act of 1967) have been restated. The significant accounting and reporting changes introduced by the Bank Act of 1980 and their effect on previously reported balances are summarized in Note 2.

The significant accounting policies followed by the Bank are summarized below:

(a) Basis of consolidation:

The assets and liabilities and results of operations of the Bank and its subsidiaries are reported in the financial statements on a consolidated basis. The subsidiaries are as follows:

Canadian:	Bank of British Columbia Mortgage Corporation WestBank Leasing Limited BBC Realty Ltd. BBC Investments Ltd.
Foreign:	British Columbia Financial Corp. (H.K.) Limited Bank of British Columbia (International) Limited

Other corporations in which the Bank owns 20% to 50% of the voting shares are accounted for by the equity accounting method. The Bank's investments in these corporations are reported in Other Securities in the Consolidated Statement of Assets and Liabilities, and the share of their net income is reported in Income from Securities in the Consolidated Statement of Income.

(b) Securities:

Securities held for trading purposes are carried at market value. Realized gains and losses and valuation adjustments to market are recorded in current income.

Securities held for investment purposes are carried at cost, with the exception of those securities issued or guaranteed by the Government of Canada or the provinces which are carried at cost, adjusted for amortization of premiums and discounts. Any provision for permanent impairment in value of investment securities is recognized through a charge to current income.

Gains and losses resulting from disposals of fixed maturity debt securities held in the investment account are deferred and amortized to income over five years on the straight-line basis. Gains and losses resulting from disposals of other securities held in the investment account are recorded in current income.

The income effects of the amortization of premiums and discounts, the gains and losses on the disposal of securities and the adjustments to the valuations of both investment and trading account securities are recorded in Income from Securities in the Consolidated Statement of Income.

(c) Loans:

Loans are recorded at the principal amount less unearned income, where applicable, and specific and general provisions for anticipated losses.

Interest income is recorded on the accrual basis except where interest on a loan is due and has not been collected for a period of 90 days, in which case the Bank ceases to accrue interest on that loan. This overdue interest is reversed whenever loans are classified as non-current. Interest income on non-current loans is recorded on a cash basis. The Bank classifies a loan as non-current when, in the opinion of management, there is doubt as to collectibility of some portion of principal or interest.

(d) Direct finance leases:

Direct finance leases are included in Other Loans in the Consolidated Statement of Assets and Liabilities. The gross lease receivable and the unearned lease income are recorded at the time a lease transaction is executed. The unearned lease income is taken into income over the lease term in amounts directly related to the balance of the net investment in the lease.

(e) Loan losses:

A provision for loan losses is charged to income and credited to Appropriations for Contingencies annually. The amount of this provision is determined by calculating the ratio of the last five years of actual loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the current year. Actual loan loss experience for the year, which consists of net changes in provisions for anticipated losses less recoveries on loans previously written off, is charged directly to Appropriations for Contingencies. For interim financial statement purposes, the provision for loan losses and the actual loan loss experience are adjusted quarterly based on the then estimated fiscal year's amounts, and eligible loans are based on estimates of the year-end amounts.

(f) Appropriations for contingencies:

The Bank maintains an appropriations for contingencies account in addition to the provisions for losses which are deducted from loans. The account consists of two portions — tax-allowable and tax-paid. Transactions through the tax-allowable portion consist of the net loss experience on loans of the Bank and the provision for loan losses charged to the consolidated statement of income together with tax deductible transfers from retained earnings which are subject to a limit prescribed by the Minister of Finance. The net loss experience on loans and the provision for loan losses charged to the consolidated statement of income in respect of subsidiaries and transfers from retained earnings in excess of the prescribed limit form the tax-paid portion of the appropriations for contingencies account.

(g) Depreciation:

Depreciation is provided for on the straight-line basis over the estimated useful life of the asset. Gains and losses on disposal of fixed assets are reported in the Consolidated Statement of Income.

(h) Translation of foreign currencies:

Assets and liabilities in foreign currencies are translated into Canadian dollars at the prevailing year-end rates; revenues and expenses are translated at prevailing month-end rates. Realized and unrealized gains and losses from transactions in and translations of foreign currencies are reported in Other Income in the Consolidated Statement of Income.

2. Effect on financial statements of revisions to the Bank Act:

The Bank Act of 1980 and the rules and regulations issued thereunder by the Minister of Finance substantially revised many of the financial accounting and reporting practices applicable to the chartered banks of Canada, effective November 1, 1981. These revisions and their effect on the Bank's financial statements for each of the years in the three year period ended October 31, 1981 are summarized below:

(a) Basis for consolidation:

All corporations controlled by the Bank are now consolidated whereas previously the Bank's investments in such corporations were accounted for by the cost method. The Bank's share of the net income of other corporations in which 20% to 50% of the voting shares are owned by the Bank is included in the Bank's net income whereas previously only dividends received from such corporations were included in net income.

(b) Securities:

Securities held for trading purposes previously carried at the lower of cost or market value are now carried at market value. Securities issued or guaranteed by Canada or the provinces continue to be carried at cost, adjusted for the amortization of premiums and discounts. Other securities are now carried at cost rather than the lower of cost or market. Gains and losses on disposal of both trading and investment securities are, except for amounts deferred, reported in current income. Previously, gains and losses on investment securities were recorded in accumulated appropriations for losses.

(c) Appropriations:

The accumulated appropriations for losses have been eliminated and, depending on their nature, items previously included in this account are included in income, appropriations for contingencies, retained earnings, other assets or other liabilities.

(d) Capital and reserves:

The previous shareholders' equity section has been restructured with the rest account and undivided profits being replaced by contributed surplus and retained earnings. Proceeds received in excess of the par value of common shares issued are included in contributed surplus. Dividends declared are shown as a charge to retained earnings.

(e) Letters of credit and guarantees:

The contingent liability of the Bank in respect of letters of credit and guarantees is no longer shown in the Statement of Assets and Liabilities as a liability offset by an equal asset.

BBC Mortgage Ltd., a former controlled corporation of the Bank, and since put into liquidation after the purchase of its assets net of liabilities by Bank of British Columbia Mortgage Corporation, issued $20,000,000 of $2.28 cumulative redeemable preference shares in February 1980. Under the terms of the issue the Bank agreed, subject to appropriate revisions to the Bank Act, to effect an exchange of all outstanding preference shares of BBC Mortgage Ltd. for the same number of its own preferred shares. This exchange was effected in June 1981. To facilitate proper comparison, the preference shares of BBC Mortgage Ltd. have been accounted for as if they had been issued by the Bank and the dividends paid thereon accounted for as dividends of the Bank.

As a result of the aforementioned changes, previously reported balances have been restated in these financial statements as follows:

(i) In the Consolidated Statement of Income for the years ended October 31, the net income was increased (decreased) by $2,646,000 in 1981, $1,677,000 in 1980 and $(69,000) in 1979. Net income per common share, after giving retroactive effect to the two for one stock split discussed in Note 11, was increased (decreased) by $0.44 in 1981, $0.15 in 1980 and $(0.03) in 1979.

(ii) Total capital and reserves as at October 31 in the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Statement of Appropriations for Contingencies were increased by $7,218,000 in 1981, $20,403,000 in 1980 and $101,000 in 1979.

In the consolidated financial statements included in the Bank's 1982 annual report was an amount described as General Reserve. This amount has been included in Retained Earnings as at October 31 in these consolidated financial statements and amounted to $1,254,000 in 1982 and 1981, $568,000 in 1980 and $411,000 in 1979.

3. Securities:

(in thousands of dollars)

	Total July 31		Maturities October 31, 1983						Total October 31	
	1984	1983	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	No Specific Maturity	1983	1982
Investment Securities:										
Securities issued or guaranteed by:										
Canada	$ 88,298	$ 87,689	$ 92,015	$ 1,248	$ —	$ 986	$ 6,210	$ —	$100,459	$ 89,975
Provinces	1,603	5,458	—	—	—	—	496	—	496	497
Municipalities, and school corporations	—	—	—	—	—	—	—	—	—	132
Other securities:										
Debt securities:										
Income debentures	3,039	3,344	176	1,960	1,181	—	—	—	3,317	3,571
Small business development bonds	32,342	68,904	—	34,893	—	—	—	—	34,893	74,233
Other Canadian issuers	8,000	8,010	15,000	—	3,000	—	—	—	18,000	3,016
Issuers other than Canadian	189	608	235	—	58	—	25	—	318	157
Equity securities:										
Term preferred shares	63,213	74,512	4,860	9,031	18,442	26,421	4,191	—	62,945	86,913
Other Canadian issuers	7,067	3,398	—	—	—	—	—	9,262	9,262	19,904
Total investment securities	203,751	251,923	$112,286	$47,132	$22,681	$27,407	$10,922	$9,262	229,690	278,398
Trading Securities:										
Securities issued or guaranteed by:										
Canada	351	12,031							12,030	3,007
Provinces	3,123	496							497	440
Other securities	—	6,093							—	—
Total trading securities	3,474	18,620							12,527	3,447
Total securities	$207,225	$270,543							$242,217	$281,845

4. Other loans:

(in thousands of dollars)

	July 31		October 31	
	1984	1983	1983	1982
Loans to provinces	$ 40,004	$ 31,449	$ 35,332	$ 45,570
Loans to municipalities and school corporations	1,875	4,397	4,337	8,515
Other loans in Canadian currency	1,688,937	1,604,478	1,598,971	1,798,066
Other loans in currencies other than Canadian	486,352	463,899	455,718	451,317
	$2,217,168	$2,104,223	$2,094,358	$2,303,468

5. Acceptances, guarantees and letters of credit:

(in thousands of dollars)

The Bank issues acceptances and letters of credit, and guarantees the payment of certain liabilities of customers, and has recourse against customers with respect to any payments made on all of these commitments. Acceptances are reported as a liability and an offsetting asset in the Consolidated Statement of Assets and Liabilities. Guarantees and letters of credit are not reported in the Consolidated Statement of Assets and Liabilities but have been detailed below:

	July 31		October 31	
	1984	1983	1983	1982
Guarantees	$67,618	$33,744	$56,562	$36,816
Letters of credit	19,759	7,729	6,833	19,509
	$87,377	$41,473	$63,395	$56,325

6. Land, buildings and equipment:

(in thousands of dollars)

	July 31		October 31	
	1984	1983	1983	1982
Land	$13,042	$12,000	$12,682	$11,024
Buildings	2,961	2,965	3,008	2,952
Furniture, fixtures and equipment	16,309	13,296	13,866	10,765
Leasehold improvements	15,328	15,058	15,204	14,136
Total cost	47,640	43,319	44,760	38,877
Accumulated depreciation	(15,185)	(12,156)	(12,753)	(10,089)
	$32,455	$31,163	$32,007	$28,788

7. Deposits:

(in thousands of dollars)

	July 31		October 31	
	1984	1983	1983	1982
Deposits by Canada	$ 21,622	$ 54,807	$ 40,039	$ 35,199
Deposits by provinces	11,059	33,275	33,620	40,915
Deposits by banks	697,596	519,449	511,827	380,974
Deposits by individuals	1,271,504	1,340,202	1,367,616	1,363,541
Other deposits	924,277	904,655	845,546	1,212,663
	$2,926,058	$2,852,388	$2,798,648	$3,033,292

8. Debentures issued and outstanding:

(in thousands of dollars)

	July 31		October 31	
	1984	1983	1983	1982
7½% sinking fund debentures, maturing November, 1991	$ 348	$ 367	$ 367	$ 378
9% debentures, maturing 1984	—	6,000	6,000	6,000
9¾% debentures, maturing 1985	3,000	3,000	3,000	3,000
10¼% debentures, redeemable at Bank's option on or after May 15, 1984 until maturity in May, 1989	10,000	10,000	10,000	10,000
	$13,348	$19,367	$19,367	$19,378

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors.

9. Capital stock:

The authorized share capital of the Bank was changed on January 10, 1984 to consist of 10,000,000 common shares without nominal or par value, issuable for an aggregate consideration not exceeding $250,000,000 and 3,000,000 preferred shares without nominal or par value, issuable in series, for an aggregate consideration not exceeding $75,000,000.

Previously, the authorized share capital of the Bank consisted of 10,000,000 common shares of a par value of $5 each and 3,000,000 preferred shares without nominal or par value, issuable in series. As a result of the change in authorized share capital, the contributed surplus arising from issues of common shares was transferred to paid-up capital and the balance transferred to retained earnings.

Outstanding:
(in thousands of dollars)

	Nine Months Ended July 31, 1984		Years ended October 31 1983		1982	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Preferred shares, Series A:						
At beginning of period........	733,900	$ 18,348	757,100	$18,928	767,300	$19,183
Purchased for cancellation....	(21,800)	(546)	(23,200)	(580)	(10,200)	(255)
At end of period.............	712,100	17,802	733,900	18,348	757,100	18,928
Preferred shares, Series B:						
At beginning of period........	800,000	20,000	—	—	—	—
Issued for cash...............	—	—	800,000	20,000	—	—
At end of period.............	800,000	20,000	800,000	20,000	—	—
Common shares:						
At beginning of period........	5,169,526	25,848	4,169,526	20,848	3,573,880	17,869
Issued for cash...............	—	—	1,000,000	5,000	595,646	2,979
Transfer from retained earnings..........	—	46,377	—	—	—	—
At end of period.............	5,169,526	72,225	5,169,526	25,848	4,169,526	20,848
Total capital stock		$110,027		$64,196		$39,776

The preferred shares, Series A are redeemable at the option of the Bank at any time on or after October 30, 1984 at $27.00 per share declining annually thereafter by $0.50 per share to $25.00 per share after October 30, 1988.

The Bank has undertaken to use all reasonable efforts to purchase for cancellation in each calendar quarter 6,000 of the outstanding preferred shares, Series A at prices not exceeding $25.00 per share.

The preferred shares, Series B are redeemable at the option of the Bank at any time on or after July 1, 1988 at $26.20 per share declining annually thereafter by $0.30 per share to $25.00 per share after July 1, 1992. The preferred shares, Series B are retractable at the option of the holder on June 1, 1995 at $25.00 per share.

The Bank has undertaken to make all reasonable efforts to purchase for cancellation in each calendar quarter at prices not exceeding $25.00 per share the following number of preferred shares, Series B:

(a) during the period commencing July 1, 1988 and ending June 30, 1995, 6,000 preferred shares, Series B; and

(b) commencing July 1, 1995 and thereafter, 0.75% of the number of preferred shares, Series B outstanding on June 30, 1995.

This obligation is cumulative only within each calendar year.

10. Income taxes:

The Provision for Income Taxes recorded in the Consolidated Statement of Income represents income taxes applicable to the income reported therein. Income taxes recorded in Retained Earnings represent the income tax effect related to tax deductible transfers from Retained Earnings to Appropriations for Contingencies, to loan loss experience of subsidiaries and to share issue expenses which are charged directly to Retained Earnings.

The total amount of income taxes differs from the amount currently payable because certain income and expense items are reported in the financial statements in years other than those in which they are reported for tax purposes. The deferred income tax credits generally represent income tax benefits related to deductions available to reduce taxes otherwise payable of future years. The deferred income tax charges generally represent income tax liabilities which have been deferred to future years.

Provision for income taxes

(in thousands of dollars)

	Nine Months Ended July 31 1984	1983	Years ended October 31 1983	1982	1981	1980	1979
Consolidated Statement of Income:							
Current	$ 1,161	$ 959	$ 1,044	$ 772	$ 179	$ 234	$ 312
Deferred..........................	(5,711)	(3,547)	(444)	(8,472)	5,453	1,290	1,745
	(4,550)	(2,588)	600	(7,700)	5,632	1,524	2,057
Retained earnings:							
Current	(3)	(364)	(724)	(152)	(144)	(99)	—
Deferred..........................	—	(1,544)	(5,413)	—	(2,450)	(736)	(1,682)
	(3)	(1,908)	(6,137)	(152)	(2,594)	(835)	(1,682)
	$(4,553)	$(4,496)	$(5,537)	$(7,852)	$ 3,038	$ 689	$ 375

The Bank's provision for income taxes differs from the amount calculated by applying its marginal tax rate to net income before provision for income taxes mainly because of income from securities of and investments in Canadian corporations (including Small Business Development Bonds) representing after-tax payments from those corporations not subject to additional tax.

(in thousands of dollars)	Years ended October 31			
	1983		1982	
	Amount	Percent	Amount	Percent
Net income before provision for income taxes	$12,726		$ 4,034	
Taxes thereon at Canadian marginal tax rate	$ 6,528	51.3%	$ 2,106	52.2%
Canadian marginal tax rate applied to:				
Income from foreign subsidiaries not subject to Canadian tax	(876)	(6.9)	(1,247)	(30.9)
Dividends from taxable Canadian corporations	(3,361)	(26.4)	(5,359)	(132.8)
Interest on income debentures and small business development bonds	(2,471)	(19.4)	(3,694)	(91.6)
Other — net	558	4.4	236	5.9
Non-Canadian taxes payable by foreign subsidiaries	222	1.7	258	6.4
Provision for income taxes	$ 600	4.7%	$(7,700)	(190.8)%

11. Net income per common share:

Net income per common share has been calculated on the daily average equivalent of fully paid common shares outstanding, after giving effect to the two for one stock split in March 1982, and after reducing net income by the preferred share dividend obligations for each nine month period and year.

12. Long-term commitments for leases:

Rental expenses for premises for the years ended October 31 were $6,056,000 in 1983, $5,187,000 in 1982, $4,403,000 in 1981, $3,614,000 in 1980 and $3,083,000 in 1979. Minimum future rental commitments for premises under long-term leases at October 31, 1983 were as shown below. The Bank has no lease commitments which extend beyond 1999.

(in thousands of dollars)

1984	$5,231
1985	4,976
1986	4,485
1987	4,255
1988	2,911
1989 and thereafter	7,272

13. Pension plan:

The Bank has an employee pension plan which is available to all employees at age 25, after three months service, on a contributory or non-contributory basis. The total cost in respect of current service charged to income for the years ended October 31 was $1,255,000 in 1983, $1,814,000 in 1982, $1,619,000 in 1981, $1,308,000 in 1980 and $1,173,000 in 1979.

An actuarial valuation of the pension fund is performed every three years in accordance with statutory requirements. As at January 1, 1984, the date of the last actuarial valuation, the pension fund was fully funded.

14. Legal actions:

The Bank is subject to a number of legal actions arising in the normal course of its business. Based on opinions of outside counsel and information made available to General Counsel of the Bank, General Counsel is of the opinion that the likelihood of ultimate material liability to the Bank is remote.

15. Subsequent events:

(a) The Bank has entered into an agreement (the "Merger Agreement") with the Trustees on behalf of BBC Realty Investors (the "Trust") dated October 29, 1984 which provides for the Bank to subscribe for 2,445,713 units for $14,674,278 and for the Bank to issue 2,445,713 common shares to the Trust for $14,674,278, subject to certain conditions being met including approval by the Unitholders of the Trust of the Merger Agreement and by the shareholders of the Bank and the Minister of Finance of capital changes required to effect this transaction. If these approvals are given, Unitholders of the Trust other than the Bank will ultimately have their units redeemed for common shares of the Bank. As a result of these steps, the Bank will hold all outstanding units in the Trust and intends to proceed with a winding-up of the Trust and the distribution of its assets to the Bank. The Bank will assume all expenses in connection with the transactions contemplated in the Merger Agreement.

Based on the unaudited financial statements of the Trust, the net assets of the Trust to be acquired by the Bank on completion of the Merger Agreement approximate the following:

Assets acquired, at fair value	$106,720,000
Liabilities assumed	89,506,000
Net assets acquired	$ 17,214,000

(b) On October 29, 1984 the Board of Directors of the Bank approved an arms-length agreement (the "Asset Sale Agreement") for the sale by the Bank of a portion of its loan portfolio and certain security acquired by the Bank to Ormskirk Investments Ltd. ("Ormskirk"), subject to usual closing conditions and to financing being arranged by Ormskirk. The assets being sold are recorded in the accounts of the Bank at approximately $106.9 million and generally consist of non-performing and other problem loans secured by real estate.

The sale price of these assets will be approximately $63.1 million, subject to closing adjustments. This will result in a net charge to appropriations for contingencies of approximately $34.5 million and a reduction in the Bank's net income before provision for income taxes of approximately $9.6 million and in its net income of approximately $4.8 million in the year ending October 31, 1984.

The Bank will provide financing for a portion of the purchase price on the security of the assets being sold and on terms and conditions that are in the ordinary course of business. The Bank has also issued a commitment to lend (U.S.)$10 million to affiliates of Ormskirk on the security of certain properties in Los Angeles, California and is entitled to apply a portion of the proceeds of this loan to Ormskirk's requirements for financing this purchase. The Bank will also have, until at least June, 1986, a right to acquire an equity interest of up to 35% in Ormskirk so as to allow the Bank to participate in any increase in the value of the assets being sold. Completion of this sale is expected to occur on or prior to October 31, 1984.

(c) On October 29, 1984 the Board of Directors of the Bank approved the issue and sale (the "Bank Offering") of a minimum of 8,000,000 common shares and a maximum of 12,000,000 common shares at a price of $6.00 per common share. The sale of the common shares pursuant to the Bank Offering is being negotiated between the Bank and the purchasers and is open for subscriptions until October 31, 1984. The Bank Offering is subject to the approval of the Toronto, Alberta and Vancouver stock exchanges. Completion of the Bank Offering is expected to occur on November 22, 1984 following the approval by the shareholders of the Bank of a change in the authorized capital of the Bank.

CERTIFICATE

Dated: October 29, 1984

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the Bank Act and the Regulations made thereunder.

(Signed) Edgar F. Kaiser, Jr.
Chairman, President, Chief General Manager
and Chief Executive Officer

(Signed) Michael J. Humjan
Assistant Vice-President
and Chief Accountant

Dominion Securities Pitfield

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Pacific Centre
Vancouver, B.C. V7Y 1B2
Telephone (604) 687-9411

October 29, 1984

The Trustees
BBC Realty Investors
Suite 635
555 Burrard Street
Vancouver, British Columbia
V7X 1K1

Dear Sirs:

You have requested us, as financial advisers of BBC Realty Investors (the "Trust"), to provide our opinion as to the fairness and reasonableness to the unitholders of the Trust from a financial point of view of the proposal (the "Proposal") by Bank of British Columbia (the "Bank") to the unitholders. The terms of the Proposal and the attributes of the common shares of the Bank are described in an Information Circular of the Trust and a prospectus of the Bank both dated October 29, 1984. You have also requested our opinion as to the anticipated trading price of the common shares of the Bank at the date of their issue.

Dominion Securities Pitfield Limited through its experience in the securities industry provides investment analyses to clients and advises on the purchase and sale of securities. As part of our corporate finance activities we design, negotiate and evaluate the financial terms of mergers and acquisitions. We have previously acted as fiscal agent and underwriter to the Trust and to the Bank.

In the course of our evaluation of the Proposal, we have reviewed the Information Circular, historical trust unit and bank share trading records, publicly available information on the Trust and Canadian chartered banks, and financial and other information and projections relating to the Trust provided by the management of the Trust and management of the Bank in its capacity as adviser to the Trust. We have conducted such interviews and investigations as we deemed necessary for the purpose of providing this opinion. On your instruction we have not attempted to establish a current realization value of the assets of the Trust and have relied, without independent verification, upon the accuracy and completeness of all financial and other information provided by the Trust and the Bank.

Based and relying on the foregoing, it is our opinion that the Proposal is fair and reasonable to unitholders of the Trust from a financial point of view.

It is our further opinion, based on capital market conditions existing at the date of this letter and the material events referred to under "Material Events" in the Information Circular, that it is reasonable to anticipate that the common shares of the Bank will trade at approximately $6.00 per share at the date of their issue to unitholders.

Yours very truly,

DOMINION SECURITIES PITFIELD LIMITED

Per: "Mark L. Cullen"